

WEEKLY OUTLOOK

A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

MAY 26, 1998

CORN EXPORT SALES IMPROVE, BUT IS IT ENOUGH?

The focus in the corn market will continue to be crop progress, weather conditions, and the prospective size of the 1998 U.S. crop. Within that framework, other factors will have some price influence. One of those factor is the rate of corn exports and export sales.

The poor performance of corn exports in the first half of the 1997-98 marketing year has contributed to the general decline in prices since October 1997. The USDA currently projects exports for the marketing year at 1.475 billion bushels, 18 percent below exports of a year ago and 28 percent below the projection of last fall. As of May 21, the USDA's export inspection figures showed shipments for the year totaled only 1.06 billion bushels, 22 percent less than had been shipped on the same date last year.

Compared to shipments of a year ago, exports were down about 90 percent for Europe, 55 percent for South Korea, and nearly 30 percent for Taiwan and Egypt. Shipments to smaller customers in Asia were off about 50 percent. Exports to Japan, the largest buyer of U.S. corn, were about equal to those of last year and Mexico had received about 30 percent more U.S. corn than was shipped last year.

To reach the USDA projection for the year, exports need to average about 29 million bushels per week during the last 14.6 weeks of the marketing year. The average for the five weeks ended on May 21 was 21 million bushels.

New export sales are reported each week (with a one week lag). Those sales dropped to a low of 9 million bushels for the week ended April 9. Since then, sales have improved, totaling 33.4 million for the week ended May 14, and averaging 23.1 million per week for the five week period ended on May 14. Unshipped sales as of that date stood at 217 million bushels. That figure is still 25 percent less than outstanding sales on the same date last year.

Sales to South Korea have been supported by U.S. credit guarantees. Outstanding sales to South Korea total 22 million bushels, 3.55 times larger than outstanding sales of a year ago. Outstanding sales to Japan and Mexico are about equal to those of a year ago. Drought conditions in Mexico may continue to require large purchases of U.S. corn.

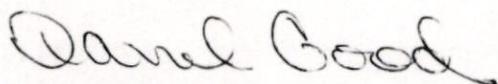
Even with the improved sales of recent weeks, it appears unlikely that exports for the year will exceed the USDA projection. Availability of Chinese and Argentine corn will compound the

effect of poor Asian demand for corn. It is still possible that exports will fall short of the already small projection.

What about next year? In its first projections for the 1998-99 marketing year released earlier this month, the USDA projected corn exports at 1.575 billion bushels. That obviously is a very tentative projection. Exports will depend on the size of the feed grain crops in other parts of the world; economic growth, particularly in Asia; exchange rates; price levels; and trade policies. The relatively low projection is at least partially based on the expectation that coarse grain production will rebound in China. Again, in the first set of projections, the USDA sees a 10 percent increase in that crop from the low level of this year. Production in the rest of the world (excluding the U.S. and China) is expected to decline about 1.5 percent, with relatively large declines in western Europe and the former Soviet Union. The projection of a larger crop in Mexico now appears very optimistic.

World trade of corn is projected to decline about 2.5 percent during the 1998-99 marketing year. The U.S. share of the export market is projected at 57 percent, up from 52 percent for the current year. Chinese exports are expected to decline about one-third from the level of the current marketing year, but no significant imports are expected.

The price recovery from the very low levels in the fall of 1994 was in part supported by a major recovery in corn exports that persisted for two years. With domestic consumption expected to grow only modestly in the year ahead, exports will become extremely important in the face of a large 1998 harvest. Currently, only 21 million bushels of U.S. corn have been sold for delivery during the 1998-99 marketing year, about 13 percent below the level of sales of a year ago.



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