



UNIVERSITY OF ILLINOIS  
EXTENSION



# 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.

**NOVEMBER 30, 1998**

## **AN UPDATE ON EXPORT PROGRESS**

The first quarter of the 1998-99 corn and soybean marketing year and the first half of the wheat marketing year concluded on November 30. It is an opportune time to evaluate export demand. Export shipments of corn through November 26 totaled 424 million bushels, nearly 15 percent more than on the same date last year. Unshipped sales as of November 19 totaled 354.8 million bushels, 17.5 percent larger than outstanding sales of a year ago. Japan, the largest customer for U.S. corn, has purchased about 3 percent less U.S. corn than at the same time last year. The primary increase in sales has been to South Korea (19 percent) and to Latin America, particularly to Mexico (66 percent).

While corn export sales are larger than on the same date last year, demand still has to be characterized as weak. The sales are coming at substantially lower prices and much of the sales to South Korea are being made on credit. Asian economies generally remain weak and China remains a competitor in the Asian corn market. Barring Asian economic recovery, an increase in demand for U.S. corn will likely have to be stimulated by a crop shortfall. The Argentine growing season will be watched closely for signs of a larger drop in production than the 22.5 percent projected by the USDA.

For the year, the USDA has projected U.S. corn exports at 1.675 billion bushels, 11.4 percent larger than shipments last year. Weekly shipments from now through August 1999 need to average 31.5 million bushels to reach that level.

Export shipments of soybeans through November 26 (11.5 weeks into the marketing year) totaled 265 million bushels, 28 percent less than on the same date last year. The decline has been in sales to the largest U.S. customer, (the European Union) and to South America. As of November 19, the European Union had purchased 36 percent fewer U.S. soybeans than on the same date last year. South America is a seasonal customer for U.S. soybeans and, in most years, a small customer. So far this year, Brazil and Argentina have not purchased any U.S. soybeans, compared to 30 million bushels last year.

World demand for soybeans is not as weak as implied by the comparison of U.S. exports to those of last year. Sales and shipments were unusually large during the first quarter of the 1997-98 marketing year and then declined in the last half of the year. Secondly, the record 1998 South American harvest has provided stiff competition for U.S. soybeans. Consumption of soybeans is rising on a world wide basis. Sales of U.S. soybean to all of Asia are down only 5 percent from the level of a year ago. Lower soybean prices are more of a function of large world supplies than of weak demand.

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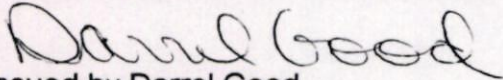
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Export sales of U.S. soybean meal are down 27.5 percent from the record pace of a year ago. Again, the decline partially reflects larger South American supplies. On the other hand, export sales of soybean oil are nearly 18 percent larger than on the same date last year.

For the year, the USDA projects soybean exports at 840 million bushels, only 30 million less than shipped last year. Weekly exports from now through August 1999 will need to average 14.5 million bushels per week to reach that level. Through March, weekly shipments will need to average over 20 million bushels per week to be on track to reach the projection. Weekly shipments will decline sharply following the 1999 South American harvest. The size of that harvest will be extremely important. Dryness in southern Brazil is already creating a stir in the soybean market.

For the current marketing year, the USDA projects wheat exports at 1.15 billion bushels, 110 million more than exported last year. Through November 26, shipments totaled only 525 million bushels, 56 million less than on the same date last year. The slow pace reflects a large world wheat harvest, except in the former Soviet Union. Hard red winter wheat accounts for 40 percent of export sales to date and those sales are 3 percent larger than on the same date last year. Hard red spring represents 25 percent of the sales and those sales are about equal to a year ago. Soft red winter sales account for only 8 percent of the sales and those sales are down 63 percent from the level of a year ago. As outlined a month ago, the decline in soft red winter sales is almost entirely to Egypt.

Wheat export shipments are expected to accelerate as U.S. subsidy programs for Russia and others are instituted. Weekly shipments from now through May 1999 will need to average 23.5 million bushels per week to reach the USDA projection. The average to date is 20.5 million bushel per week.



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