



# WEEKLY OUTLOOK



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## **CORN AND SOYBEAN EXPORT PROSPECTS**

Early USDA forecasts for the 2008-09 corn and soybean marketing year include prospects for substantial declines in U.S. exports from the record levels reached in the 2007-08 marketing year. The sharpest decline is projected for corn. With U.S. corn and soybean stocks expected to remain tight this year, the pace of exports could have important price implications as the year progresses.

The USDA currently projects U.S. corn exports for the marketing year that just ended on August 31, 2008 at 2.425 billion bushels. U.S. corn export inspections as of August 31 totaled 2.337 billion bushels and exports reported in the weekly *U.S. Export Sales* report through August 28 totaled 2.349 billion bushels. Census Bureau estimates are only available through June 2008. At that juncture, cumulative Census Bureau estimates exceeded inspections by 81 million bushels and estimates in the *U.S. Export Sales* report by 55 million bushels. If that margin persisted through August, exports will be near the USDA projection. Exports of 2.425 billion bushels would be record large.

For the 2008-09 marketing year, the USDA projects U.S. corn exports at two billion bushels, or nearly 18 percent below exports of the year just ended. A number of factors point to prospects of weaker demand for U.S. corn. Both wheat and coarse grain production outside of the U.S. are expected to be record large in 2008-09. Foreign wheat production is forecast at 603.4 million tons, nearly 9 percent larger than the 2007-08 crops. Feed use of wheat outside the U.S. is projected at 113 million tons, nearly 17 million tons more than fed last year. Most of that increase is expected in the European Union (EU). That increase results in a projected decline in EU corn imports of 354 million bushels. While the U.S. exports virtually no corn to the EU, the decline in import demand makes more corn from other sources available to the world market. The USDA projects 2008-09 foreign coarse grain production at 760.3 million tons, nearly 5 percent larger than production in 2007-08. Fifty-eight percent of the year-over-year increase in foreign coarse grain production is corn. Larger corn exports are projected for South Africa and the Ukraine.

The strengthening U.S. dollar is also generally believed to be a negative factor for demand

for U.S. corn. While such expectations appear logical, there is not a strong statistical relationship between the value of the U.S. dollar and U.S. corn export volume. A more serious concern about export demand may stem from prospects of a broader economic slow down that could slow the rate of increase in world meat demand and therefore the rate of increase in corn feeding.

As of August 28, the USDA reported that 359 million bushels of U.S. corn had been sold for export during the 2008-09 marketing year. That is nearly 30 percent less than sales at the same time last year. Early sales do not always provide a good forecast of marketing year exports, but at a minimum, importers are buying at a much slower pace so far this year compared to both 2007 and 2006.

For the year ended August 31, 2008, the USDA expects U.S. soybean exports to have totaled a record 1.145 billion bushels. Export inspections through August 31 totaled 1.116 billion bushels and cumulative exports reported in the *U.S. Export Sales* report through August 28 totaled 1.117 billion bushels. Through June, however, cumulative Census Bureau export estimates exceeded USDA estimates by about 35 million bushels. It appears that exports will reach or exceed the USDA projection.

For the 2008-09 marketing year, the USDA projects U.S. soybean exports at one billion bushels, or nearly 13 percent less than exported during the year just ended. The decline reflects expectations of a small decline in total world exports and larger exports from Argentina and Brazil. Imports by China are expected to account for 47 percent of total world imports, but are expected to be only about 1.5 percent larger than imports in 2007-08. That follows a 23 percent increase last year. Chinese consumption of soybeans is expected to increase by nearly 5.5 percent, but the larger harvest there this year will slow the rate of import growth.

Through August 28, the USDA reported that 279 million bushels of U.S. soybeans had been sold for export during the 2008-09 marketing year. That is an 11.5 percent increase from outstanding sales of a year ago. Fifty-five percent of the outstanding sales were destined for China. For now, U.S. exports appear to be benefitting from some continued disruptions in exports from Argentina. The early sales pace, while not a good prediction of marketing year exports, is encouraging.

Issued by Darrel Good  
Extension Economist  
University of Illinois