



WEEKLY OUTLOOK



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U.S. WHEAT EXPORTS OFF TO A SLOW START

The USDA currently projects 2009-10 marketing year exports of U.S. wheat at 925 million bushels. That projection is 90 million bushels (8.9 percent) less than exports of the previous year and 339 million less than exports during the 2007-08 marketing year. Exports at the projected level would be the second smallest in 7 years and the third smallest in 25 years.

The 2009-10 marketing year began on June 1 and weekly USDA export inspection estimates are available through August 6. Cumulative export inspections during the first 9.6 weeks of the marketing year were reported at 130.7 million bushels, 99.2 million less than the total of a year ago. Weekly inspections have averaged 13.7 million bushels so far this year. To reach the USDA projection of 925 million bushels, weekly inspections need to average 18.7 million bushels during the remainder of the marketing year. As of July 30, the USDA reported outstanding (unshipped) export sales of 148 million bushels. Unshipped sales a year earlier stood at 276 million bushels. The slow pace of export inspections, and to a lesser extent, export sales relative to that of a year ago is a little misleading because the pace was very fast early last year. Still, the pace of exports lags that needed to reach the USDA projection.

The USDA's weekly *U.S. Export Sales* report shows a breakdown of exports and export sales by destination and by class of wheat. Through July 30, export commitments (exports plus outstanding sales) compared to those of last year were down 60 percent for hard red winter wheat, 63 percent for soft red winter wheat, and 26 percent for hard red spring wheat. Export commitments were 17 percent larger for white wheat and 15 percent larger for durum wheat. Commitments for all classes of wheat were down by 46 percent.

Among the largest importers of U.S. wheat, commitments were down 27 percent to the Philippines, 45 percent to Japan, 48 percent to Mexico, and 87 percent to Egypt. Egypt buys only soft red winter wheat from the U.S.

Prospects for smaller U.S. wheat exports this year are partly a reflection of the overall decline in world wheat exports expected this year. Exports from origins other than the

U.S. are projected at 3.63 billion bushels, 364 million (9 percent) less than exported during the 2008-09 marketing year. The largest decline (27 percent) is projected for the European Union. The overall decline in world exports expected for this year reflects prospects for larger production in countries that typically import wheat. In those countries that the USDA designates as major importers, production is estimated to be 335 million bushels (5 percent) larger than production of a year earlier.

World wheat production in 2009-10 is expected to be down 950 million bushels (4 percent) and consumption is expected to increase by 235 million bushels (1 percent). Still, worldwide year ending inventories of wheat are expected to grow by 512 million bushels (8 percent). Eighty percent of the increase in world wheat inventories is expected to occur in China. Stocks among major exporting countries are expected to decline, with most of that occurring in the European Union.

Wheat prices have declined sharply in recent weeks. September 2009 futures at Chicago, for example, traded near \$7.00 in early June and are now near \$5.00. The average spot cash price of soft red winter wheat in southern Illinois is near \$3.20, reflecting an on-going very weak basis. The poor export demand for U.S. wheat, particularly for soft red winter wheat, is one reason for such low prices. There are two fundamental factors that could be the basis for a modest price recovery in wheat. First, is the strengthening of the El Nino weather pattern. A continuation of a strong El Nino poses an increased risk of dry conditions in some Australian wheat production regions. Second, is the acreage response of U.S. wheat producers. Current low cash price bids for the 2010 soft red winter wheat crop point to some further reduction in seedings this fall.

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