



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.

AUGUST 31, 2009

DEMAND TO DETERMINE POST-HARVEST PRICE PATTERN FOR CORN AND SOYBEANS

With large U.S. corn and soybean crops expected this year, the strength of demand and the resulting rate of consumption will be important for post-harvest price prospects. Demand and consumption are not interchangeable terms. Consumption results from the size of the crop, the strength of demand, and the resulting price level. All else equal, larger supplies result in lower prices and a higher rate of consumption. Conversely, all else equal, an increase in demand results in higher prices while consumption may or may not increase depending on the available supply.

For both corn and soybeans, the export sector is one that can be monitored frequently prior to and during the marketing year. The USDA provides weekly estimates of export inspections and weekly reports of export sales. For the upcoming marketing year, the USDA currently projects U.S. corn exports at 2.1 billion bushels. That projection is 337 million less than the record exports of the 2007-08 marketing year, but 250 million above the projection for the 2008-09 marketing year that ends on August 31, 2009. The USDA expects a year-over-year increase in corn exports due to smaller coarse grain crops outside of the U.S. and larger imports by Mexico and Taiwan. Coarse grain production outside the U.S. in 2009-10 is projected at 751.7 million tons, nearly 3 percent smaller than production during the 2008-09 marketing year. Smaller crops are expected in Canada, the European Union, China, and Mexico. Production is expected to rebound in Argentina following the weather reduced harvest this year.

As of August 20, 2009, the USDA reported that 284 million bushels of U.S. corn had been sold for export during the 2009-10 marketing year. A year ago, new crop sales on the same date stood at 344 million bushels. The difference in new crop sales so far this year is primarily to Japan. The USDA reports that only 19.5 million bushels of U.S. corn have been sold to Japan for delivery in the upcoming marketing year. A year ago, new crop sales stood at 107 million bushels. Sales to all other destinations are slightly larger than those of a year earlier. A slower start to Japan's buying program is not a concern. Japan is the largest and most consistent importer of U.S. corn, but the timing of their purchases varies each year. To reach the USDA's projection of 2009-10 marketing

year exports, weekly sales to all destinations need to average about 34 million bushels per week over the next 12 months.

For soybeans, the USDA projects 2009-10 marketing year U.S. exports at 1.265 billion bushels, equal to the record exports expected for the year ending on August 31, 2009. U.S. exports are expected to be supported by increased world soybean consumption, smaller exports from Brazil, and larger imports by Southeast Asian countries. A rebound in soybean production in Argentina in 2010 would provide more competition for U.S. soybeans during the last half of the marketing year.

As of August 20, 2009, the USDA reported that 477 million bushels of U.S. soybeans had been sold for export during the upcoming marketing year. That compares to new crop sales of a year ago of 271 million bushels. The largest year-over-year increase in sales is to China. Those sales totaled 309 million bushels as of August 20, 156 million larger than cumulative sales of a year ago. New crop export sales to China totaled 56 million bushels during the week ended August 20, 2009. Export sales to all destinations need to average about 15 million bushels per week over the next 12 months in order to reach the USDA projection. Because of the seasonal pattern of U.S. sales and shipments, new sales over the next 5 months need to average about double that rate to be on track to reach the USDA projection. Export sales already total about 38 percent of the USDA's projection for the year. That is double the average percentage of the previous 5 years.

The rate of corn consumption in other categories, ethanol production and feed use, will be revealed less frequently and with more severe time lags. Monthly reports of ethanol production will indicate the rate of corn use in that category. Feed use will be revealed only in the quarterly USDA *Grain Stocks* reports. The first of those will not be released until the second week of January 2010. For soybeans, the domestic crush rate will be revealed in the monthly reports by the National Oilseed Processors Association and the Census Bureau.

It now appears that consumption of U.S. corn and soybeans will be record large in the 2009-10 marketing year. The price that the users will be willing to pay for those crops will depend to a large degree on the extent of recovery in the U.S. and world economies. If recovery does occur, a modest increase in prices would be expected following the harvest of large crops.

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