



WEEKLY OUTLOOK



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EARLY U.S. CORN AND SOYBEAN EXPORT ACTIVITY IS ENCOURAGING

The USDA has projected that corn exports will rebound sharply during the current marketing year. Exports of U.S. soybeans are expected to be maintained at the record level of the 2008-09 marketing year.

Corn exports during the 2009-10 marketing year are projected at 2.2 billion bushels, 237 million below the record exports during the 2007-08 marketing year, but 350 million above exports during the 2008-09 marketing year. The U.S. share of the world corn export market is expected to increase from 60 percent last year to 65 percent this year. A larger U.S. share of the world export market reflects prospects for smaller crops in the exporting countries of Canada, South Africa, and China. In addition, total world trade of corn is expected to grow by about 275 million bushels (nearly 9 percent) due to smaller crops in Europe and Mexico and growing consumption in China.

Soybean exports during the current marketing year are projected at 1.28 billion bushels, equal to exports during the 2008-09 marketing year. The U.S. share of the world soybean export market is projected at 45 percent, about equal to that of last year as world soybean trade is expected to increase by only 25 million bushels (about 0.9 percent). Larger imports by Japan and Mexico are expected to be offset by smaller imports by Western Europe and China.

One of the major factors that will influence export demand for U.S. soybeans during the last half of the 2009-10 marketing is the size of production in Argentina and Brazil. Production in Argentina in 2009 was down 31 percent from production in 2008 due to dry weather conditions. Production in Brazil dropped about 7 percent. As a result of smaller production, Argentine exports dropped from about 510 million bushels to about 220 million bushels. Soybean exports from Brazil, however, increased from about 930 million bushels in 2007-08 to about 1.08 billion in 2009-10. Inventories were reduced sharply in both countries.

For the 2010 harvest, the USDA has projected a 2 million acre increase in soybean plantings in Brazil and a 5 million acre increase in Argentina. A return to more normal yields would result in production increases totaling about 700 million bushels in

Argentina and 185 million bushels in Brazil. The USDA expects Argentine exports to increase by 140 million bushels and Brazilian reports to decline by 180 million bushels during the 2009-10 marketing year. Prospective supplies would allow for larger exports from both countries than is currently projected. Decisions by importers on sourcing soybeans will be important in determining if U.S. exports remain record large.

The USDA weekly reports of export inspections and export sales provide the information to monitor the pace of export activity relative to projected exports for the year. Corn export inspection through the first 4.5 weeks of the marketing year were reported at 182 million bushels about 16 million above the total of a year ago. Inspections need to average about 42 million bushels per week to reach the USDA projection for the year. As of September 24, 2009, the USDA reported that 466 million bushels of U.S. corn had been sold for export, but not yet shipped. That exceeds outstanding sales of a year ago by about 60 million bushels. The early pace of U.S. corn activity is encouraging, but will need to accelerate to stay on track with the USDA projection for the year.

U.S. soybean export inspections during the first 4.5 weeks of the marketing year were reported at 39 million bushels, about equal to that of a year ago. Shipments are typically small during the first 5 or 6 weeks of the marketing year as South American exports dominate. As of September 24, 2009 the USDA reported that 714 million bushels of U.S. soybeans had been sold for export, but not yet shipped. That total is nearly double the total on the same date last year. The large increase in outstanding sales is to China (up 120 percent) and unknown destinations (up 290 percent). China has purchased 450 million bushels of U.S. soybeans for import during the current marketing year, accounting for 61 percent of all U.S. export sales. As a result, sales of U.S. soybeans have reached nearly 60 percent of the USDA's projected exports for the year. The current pace of export sales cannot be maintained, but the large sales to date suggest that the USDA's projection will be reached, if not exceeded.

While early export prospects for corn and soybeans are encouraging, the size of the U.S. corn and soybean crops will dominate prices for the next several weeks. The USDA will update production forecasts on October 9.

Issued by Darrel Good
Agricultural Economist
University of Illinois