



# WEEKLY OUTLOOK



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## **FIRST QUARTER CORN AND SOYBEAN EXPORTS ARE DISAPPOINTING**

The first quarter of the 2005-06 marketing year for corn and soybeans was characterized by a fairly slow pace of exports. The slow start along with the low level of outstanding sales may result in smaller projections for the year in USDA's monthly report of supply and consumption prospects to be released on December 9.

Corn exports were reasonably large, at 498 million bushels, during the first quarter of the 2004-05 marketing year, but were soft during the last three quarters of the year. Exports for the year totaled only 1.814 billion bushels. For the 2005-06 marketing year, the USDA currently projects U.S. corn exports at 2 billion bushels, the most in 10 years and 180 million above the average exports of the past 9 years. An expected decline in exports of corn by China accounts for most of the optimism about U.S. corn exports.

For the current year, Census Bureau estimates of U.S. corn exports are currently available only for September. USDA export inspection estimates (report released on Mondays) are available through December 1 and estimates from the USDA's *Export Sales* report (released on Thursdays) are available through November 24. Cumulative inspections through December 1 were estimated at 460 million bushels. For September, the Census Bureau estimate exceeded inspections by 8.3 million bushels and exceeded shipments by 3.8 million bushels. Through November 24, the export shipment estimates exceeded the inspection estimates by 7.5 million bushels. Considering all current information, corn exports during the first quarter of the 2005-06 marketing year (September through November) likely totaled about 485 million bushels, just slightly less than during the first quarter last year.

To reach the USDA projection of 2 billion bushels for the year, shipments during the last three quarters need to total 1.515 billion bushels. That is 200 million (15 percent) more than exported during the same 9 months last year. Weekly shipments during the last 39 weeks of the marketing year need to average about 38.85 million bushels per week compared to the average of 36.9 million to date. As of November 24, the USDA reported that 305 million bushels of U.S. corn had been sold for export, but not yet shipped. That compares to unshipped sales of 351 million bushels on the same date last year. The pace of exports and export sales this year is

slower than that of last year for Japan, Egypt, and Unknown@destinations. The good news is that export commitments to other major buyers, Taiwan, South Korea, and Mexico, exceed those of last year. The large sales to South Korea and Taiwan may indicate that Chinese corn is not as readily available as last year.

U.S. soybean exports during the first quarter of the 2004-05 marketing year were huge, at about 406 million bushels. Shipments were 20 million larger than the previous record for the quarter established the year before. Those large exports reflected aggressive buying by China following the shortage of soybeans during the 2003-04 marketing year. Shipments were modest during the second and third quarters of last year and were weak during the final quarter (summer 2005). For the year, U.S. exports were a record 1.103 billion bushels, 39 million above the previous record of 2001-02.

For the current marketing year, the USDA projects U.S. soybean exports at 1.075 billion bushels. Export inspections from September 1 through December 1, 2006 totaled 316 million bushels. For September 2005, the Census Bureau estimate of U.S. soybean exports exceeded USDA estimates by about 3 million bushels. Through November 24, USDA's estimate of cumulative export inspections exceeded the estimates in the weekly *Export Sales* report by 3 million bushels. Available estimates, suggest that U.S. soybean exports during the first quarter of the 2005-06 marketing year (September through November) totaled about 330 million bushels, 76 million less than shipments of a year earlier.

To reach the USDA's projection of 1.075 billion bushels for the year, exports during the last three quarters of the current year need to total 745 million bushels, an average of 19.1 million per week. Recognizing the sharp seasonal decline in export shipments during the spring and summer, weekly exports need to be much larger than that average during the winter months. The total needed is 48 million (7 percent) more than exported during the same period last year.

As of November 24, the USDA reported that only 144 million bushels of U.S. soybeans had been sold for export, but not yet shipped. Unshipped sales a year earlier totaled 231 million bushels. Total export commitments (shipments plus outstanding sales) to the European Union and China, the two largest buyers of U.S. soybeans, are running 41 percent behind the pace of a year earlier. In addition, unshipped sales to Unknown@destinations totaled only 22 million bushels as of November 24, compared to 66 million at the same time last year. Of the major buyers of U.S. soybeans, only Mexico has purchased more U.S. soybeans than at this time a year ago.

Other factors will influence corn and soybean prices over the next few months, particularly South American weather and crop conditions, but a continuation of the slow pace of export sales would limit price rallies.

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