

February 25, 1977

EXPORT TRENDS for major grains and oilseeds have been mixed for the past several months. Shipments of U.S. wheat to foreign customers have been discouragingly low for some time, a trend that will likely prevail throughout the near term. Shipments of corn and soybeans, on the other hand, have equaled or exceeded the record pace of a year earlier, but near-term prospects point toward some easing from recent foreign pressures. On balance, it currently appears that the export markets for U.S. crops do not offer any major prospects for significant new upward pressures on crop prices.

Monthly exports of wheat and products averaged 100 million bushels during the first five months of the current wheat marketing year (June 1976-May 1977), down about 11 percent from the monthly average during the same period a year earlier. In November and December, however, the monthly export volume dropped to less than 60 million bushels, a level that based on weekly export inspections appears to have been maintained through January and probably through February. For the remainder of the 1976/77 wheat marketing year, there is little reason to expect a pickup in export movements, although China's recent entry into world wheat markets generated a ray of hope. The combined wheat harvest recently completed by Australia and Argentina was even larger than expected a few weeks ago. In addition, the devaluations and the administered pricing practices in those two countries, as well as in Canada, have resulted in substantial price competition for U.S. wheat in world markets. In part, this is reflected in the exceptionally low activity in new export commitments—or new sales—over the past several weeks. This reduced activity suggests that wheat exports for all of the 1976/77 marketing year may fall 50 to 75 million bushels short of the USDA's current projection of 975 million bushels, marking the first year since 1971/72 that wheat exports fell below 1.0 billion bushels.

Export shipments of corn and soybeans, in contrast to wheat, have generally exceeded their record year-earlier pace, but prospective declines in the months ahead are expected to be more than offsetting. Corn exports held sharply above the year-earlier level during October and November of last year—the first two months of the October 1976-September 1977 corn marketing year—but then declined in December. The rate of weekly corn export inspections picked up slightly in January, but for the past four weeks—ending February 18—has consistently lagged the year-earlier level.

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Some observers have attributed the recent declines to the weather-related navigational problems with barge shipments. While this, no doubt, had some impact, a more fundamental factor appears to be slowing interest of foreign customers. Reflecting this, the volume of unfilled corn export commitments—including optional-origin commitments—in early February was down slightly from the year-earlier level. Moreover, like wheat, reports for several weeks have indicated a very slow volume of new corn export sales. These developments, coupled with the larger world coarse grain supplies—much of which will be available shortly with the completion of the Southern Hemisphere harvest—and the feed-substitutability of the large world wheat supplies suggests corn export shipments will likely continue below year-earlier levels for most of the remaining corn marketing year.

The anticipated slowing in the until now strong soybean exports reflects the price-rationing impact from exceptionally tight domestic supplies and the increased competitive world supplies that will be available once the pending South American crop is harvested. Current estimates indicate the combined soybean harvest in Brazil, Argentina, and Paraguay will approximate 518 million bushels, 16 percent above the year-earlier record. These increased supplies will start filtering into world markets during late spring, easing import demand for U.S. soybeans.

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Agricultural Credit Conferences in selected district states are scheduled for the following dates and locations. Further information can be obtained from the respective state banking association.

- Iowa Agricultural Credit Conference
March 9-10, Iowa State University, Ames
- Indiana Agricultural Clinic
March 23-24, Purdue University, Lafayette
- Wisconsin Agricultural Credit Conference
April 12-13, Eau Claire Hilton, Eau Claire
- Illinois Agricultural Credit Conference
September 14-15, Ramada Inn, Champaign