



Weekly Outlook: Update on Export Progress

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Much of the attention in the crop markets is rightly focused on the potential size of the northern hemisphere crops. Still, the on-going pace of consumption is an important measure of demand strength and the likely level of year ending stocks. Here we focus on the U.S. export sector for wheat, corn, and soybeans.

For wheat, the 2011-12 marketing year ended on May 31. Cumulative export inspections for the year totaled 1.036 billion bushels, slightly above last month's USDA projection of 1.025 billion bushels. Through April, cumulative Census Bureau export estimates were about 4 million bushels less than cumulative inspections. Assuming that margin persisted through May, marketing year exports were about 7 million bushels larger than forecast. For the marketing year that began on June 1, the USDA has projected exports at 1.150 billion bushels. As of May 31, new sales plus unshipped sales from the past marketing year totaled 235.6 million bushels, near the level of sales of a year earlier. To reach the USDA projection, shipments will need to average about 22.1 million bushels per week this year. Export inspections during the first week of the year were reported at 21.5 million bushels.

For corn and soybeans, the final quarter of the 2011-12 marketing year began on June 1. Cumulative corn export inspections during the first three quarters of the year totaled 1.221 billion bushels. Through April, cumulative Census Bureau export estimates exceeded inspections by 23 million bushels. Assuming that margin persisted through May, exports during the first three quarters totaled 1.244 billion bushels, 122 million less than during the same period last year. The USDA currently forecasts marketing year exports at 1.7 billion bushels. Exports during the final quarter of the year will need to total 456 million bushels, or 34.7 million bushels per week, to reach the projection. Inspections averaged only 26.3 million bushels during the 6 weeks ended June 7, and dropped to a marketing year low of 17 million bushels in the latest reporting week. Unshipped sales as of May 31 were reported at 304 million bushels, 87 million less than on the same date last year. For sales to reach 1.7 billion bushels, new sales will need to average 11.5 million bushels per week. The average sales pace for the 5 weeks ended May 31 was 7.4 million bushels. Export commitments to date are much larger than those of a year ago for China and Mexico, but down sharply for Japan, Taiwan, and South Korea. It now appears that exports for the year will be 75 to 80 million bushels less than projected as U.S. corn has lost market share to feed wheat. The USDA will update the projection on June 12.

Cumulative export inspections of soybeans totaled 1.164 billion bushels during the first three quarters of

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the 2011-12 marketing year. Through April, cumulative Census Bureau export estimates were about 6 million bushels less than inspections. If that margin persisted through May, exports totaled about 1.158 billion bushels, 237 million less than in the first three quarters last year. For the year, USDA has projected exports at 1.315 billion bushels. To reach that projection exports during the final quarter will need to total 157 million bushels, or an average of 11.9 bushels per week. Inspections during the 6 weeks ended June 7 averaged 14.9 million per week. Unshipped sales as of May 31 totaled 192 million bushels, compared to 154 million on the same date last year. It now appears that marketing year exports could exceed the USDA projection (to be updated on June 12) by as much as 25 million bushels as the U.S. benefits from the shortfall in South American production. China continues to be the major purchaser of U.S. soybeans (62 percent to date) and has already made large purchases for delivery during the 2012-13 marketing year.

It appears that corn exports will come up well short of 1.7 billion bushels, pointing to larger year-ending stocks than currently projected. Some of the shortfall in exports may be made up by slightly larger consumption for ethanol production as ethanol production during the first three quarters of the year was about two percent larger than production a year earlier. The big unknown, however, is the magnitude of feed and residual use of corn during the last half of the year. Quarterly use in that category has been difficult to anticipate over the past two years. The June 1 corn stocks estimate, along with the level of wheat prices, and the pace of maturity of the 2012 corn crop will shed more light on use in that category.

While month-end acreage and stocks reports will be important for crop prices, prices will continue to be heavily influenced by 2012 yield prospects. To date, the corn market has displayed relatively little concern about the cumulative and upcoming moisture deficits in large areas of the central, eastern, and southern growing areas.