



## China Is the Key to Sorghum Plantings in 2015

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China's grand entrance into the U.S. sorghum market began in September of 2013, and roughly coincided with the import ban of a type genetically modified corn, MR162. Since that point, U.S. sorghum exports to China have been on a long and impressive 79-week run and have totaled more than 340 million bushels, averaging 4.4 million bushels per week. Current expectations are for this trend to continue despite China's recent end to the yearlong ban of MR162.

USDA's February 2015 [Agricultural Projections to 2024](#) reported that "since sorghum is a low cost feed substitute for corn, China is projected to remain a large sorghum importer in the next decade." Current projections are for sorghum exports to total 230 million bushels per year through the 2024-25 marketing year. Owing to these expectations, and the robust pace of sorghum exports this marketing year, USDA projects for sorghum plantings to increase by nearly 400,000 acres in 2015 to 7.5 million acres.

The market is also sending price signals to plant sorghum with both old- and new-crop sorghum prices carrying a premium above corn prices in principal sorghum production regions such as Kansas and Texas. Relative price strength in sorghum, combined with potential dryland yields in the face of adverse weather conditions, make sorghum an attractive planting alternative to corn in some areas for 2015.

Insofar as China's imports of sorghum continue, the decision to plant additional sorghum acres may yield higher per acre returns than for corn. However, given the sizable share of sorghum exports to China, expected returns from additional sorghum acres could not be as planned if the Chinese move back into the corn market, an outcome likely influenced by China's recent acceptance of MR162 and lower expected corn prices during 2015-16.

Prior to the 2013-14 marketing year, sorghum exports averaged approximately 38 percent of total sorghum consumption. Now, on the back of Chinese demand, exports are expected to represent 68 percent of total sorghum consumption for the 2014-15 marketing year. Since entering the U.S. sorghum market China has become a major player. Based on Foreign Agricultural Service's [Global Agricultural Trade System](#) census data, during the 2013-14 marketing year, sorghum exports to China totaled 168 million bushels and accounted for nearly 80 percent of all U.S. sorghum exports. Through January of the 2014-15 marketing year, sorghum exports to China totaled 131 million bushels and represented 90 percent of total sorghum exports.

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Recently, USDA's March 9 [Federal Grain Inspection Service](#) (FGIS) report indicated that as of the week ending March 5, 175 million bushels of sorghum have been exported to China. This total represents 92 percent of total U.S. sorghum exports thus far during the current marketing year.

Combining the accumulated exports to date with the USDA March 5 [Export Sales](#) report showing outstanding (unshipped) sales of 135 million bushels, and sorghum exports plus commitments total 310 million bushels for the 2014-15 marketing year. With close to half of the marketing year remaining some of these export sales could be cancelled or carried into the 2015-16 marketing year, however, this total already exceeds the USDA projection for all of 2014-15 by 10 million bushels. Already, for the 2015-16 marketing year, net sales totaling 9 million bushels of sorghum have been reported. The primary destination? China.

Proceed with caution. Excluding China's recent foray in the sorghum market, from the 1999-00 to the 2012-13 marketing years China imported approximately 1.2 million bushels of sorghum, and had been inconsistent buyers at best, dipping into the market in only November 2000 and October 2008. One sign that sorghum exports could be slowing came in the most recent FGIS report where sorghum inspected for export the week ending March 5 totaled only 2.1 million bushels, down 74 percent from last week and the lowest total in 36 weeks. Time will tell if this export volume is an outlier or a sign of things to come.

Nonetheless, a perfect storm scenario potentially emerges if U.S. farmers plant additional sorghum acres in 2015 to fulfill anticipated export demand and Chinese export opportunities diminish after planting. Under such a scenario, the sorghum will get used, but at lower prices (and returns) than currently anticipated. Alternative uses of sorghum include livestock feed and as a substitute to corn in ethanol production. However, sorghum used to produce ethanol maintains a relatively small profile compared to corn. For example, in the February 19 USDA [Grain Crushings and Co-Products Production](#) report it was revealed that 1.6 million bushels of sorghum were consumed in December 2014 for alcohol production, down 57 percent from the previous month and down 53 percent from October 2014. For comparative purposes, in December 2014, 456 million bushels of corn were used in fuel ethanol production.

The flip-side is that for farmers holding firm in corn production, the potential for China to remerge as a corn export partner with the U.S. could provide opportunities for higher corn prices during the 2015-16 marketing year. The important question, then, for farmers penciling in returns from sorghum production in 2015 is: "Will China remain a consistent buyer of U.S. sorghum?"

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