



Weekly Outlook: Export Potential for Corn, Ethanol, and Distillers Grains

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The prospect of substantial levels of corn, ethanol, and distillers' grains exports bodes well for corn consumption this marketing year, but a lack of resolution to trade negotiations may provide headwinds moving forward. Trade negotiations on NAFTA and with China continue to evolve and inject uncertainty into the outlook for exports. A resolution of trade disputes would provide additional support for strengthening exports as we move through 2018.

Current marketing year projections for corn exports sit at 2.225 billion bushels. Recent strength in weekly export inspections and sales signal strong support for reaching the USDA estimate. Additionally, projections of corn production in Brazil and Argentina indicate output is down approximately 768 million bushels from last year's totals in those countries. The potential for an additional loss of 125 million bushels of corn production is a distinct possibility. The pace of corn exports during the first half of the current marketing year exceeded last year's exports but lagged the rate needed to reach the USDA projection of total marketing year exports. The weekly rate of export inspections, however, accelerated beginning in the last week of February so that cumulative inspections as of May 24 totaled 1.497 billion bushels. Census Bureau export estimates from September through March exceeded cumulative export inspections by 48 million bushels. If that margin persisted, exports through May 24 totaled 1.545 billion bushels. With 14 weeks left in the marketing year, an additional 705 million bushels of exports, an average of 47 million bushels per week, will be needed to reach the current USDA projection. For the six weeks ended May 24, weekly export inspections averaged 64.5 million bushels per week.

As of May 17, 701 million bushels of U.S. corn had been sold for export, but not yet shipped. Total unshipped sales are more than the estimated 650 million bushels required to reach 2.225 billion bushels. While the export demand for U.S. corn for the remainder of the marketing year is uncertain, the recent pace of export inspections and new export sales are supportive of the current projection for the marketing year.

The U.S. corn market also relies to a lesser degree on the strength of export demand for ethanol and distillers' grains. On a corn marketing year basis, U.S. ethanol exports reached a peak of 1.37 billion gallons in 2016-17, accounting for 8.1 percent of U.S. production. Exports grew by 34 percent over the previous marketing year on increased exports to Brazil. Despite the implementation of a tariff rate quota on U.S. ethanol imports at the start of this marketing year, ethanol exports continue to show strength to Brazil, Canada, India, and Mexico. While ethanol export levels weakened to China, monthly export totals increased in February and March and hold promise if trade relations continue to improve. Through the

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first seven months of the current marketing year, the Census Bureau reports cumulative ethanol exports of 983 million gallons, nearly 16 percent more than exported during the same period last year. Exports so far this year have accounted for 12 percent of domestic ethanol production. While there is no publically available information on ethanol export commitments for the remainder of the year, exports are on pace to exceed last year's total and are on pace to result in ethanol exports near 1.6 billion gallons.

Since 2010, China is the largest export market for U.S. distillers' grain, with Mexico a distant second. On a corn marketing year basis, exports of distillers' grains reached a peak of 13.3 million tons in 2013-14. The withdrawal of China from the distillers' grain export market in late 2016 slowed exports some but growth in exports to Vietnam, Japan, South Korea, Thailand, and Indonesia provided support. Exports through the first seven months of the marketing year came in six percent lower than last year's total, at 7.1 million short tons. While exports to China are down 85 percent through the first seven months, exports increased to predominantly Asian countries despite increases in distillers' grain prices through the winter months. From September through December of 2017, distillers' grain exports averaged 1.04 million short tons a month. January through March 2018 saw the average export total fall to 970 thousand short tons. DDGS prices in Decatur increased from \$112 per ton in September of 2017 to approximately \$175 per ton in April. While prices have moderated in May, export demand appears to be maintaining levels seen in early 2018. The prospect for a rekindling of distillers grains exports to China provides the potential for increased exports moving forward.

April export totals for U.S. corn, ethanol, and distillers' grains provided by the Census Bureau will be revealed on June 6. The current robust pace of corn and ethanol exports and prospects for further improvement in the pace of distillers' grains exports are encouraging. A continuation of modest corn prices suggests that export quantities will remain robust barring a breakdown in trade negotiations.

YouTube Video: Discussion and graphs associated with this article at <https://youtu.be/ogpgoOJV9LQ>