



Weekly Outlook: Prospects for Corn Use in Ethanol

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Export sales this year started slowly, particularly for corn. Recent sales to China buoyed soybean export sales in September. Abundant crops around the world, competitive pricing, and trade issues slowed export sales early this marketing year.

At 2.050 billion bushels, the current USDA projection for corn exports during the 2019-20 marketing year sits slightly lower than the last marketing year's export totals. On October 4, the Census Bureau released export data for August. Corn exports for the 2018-19 marketing year totaled 2.067 billion bushels; down 372 million bushels from the 2017-18 marketing year despite the torrid start for sales and exports at this time last year. Although outpacing the previous marketing year's export pace by 334 million bushels through the first half of the 2018-19 marketing year, the second half saw exports come in 707 million bushels below the pace in 2017-18. Abundant South American crops and competitive pricing saw the U.S. export share of the world market fall precipitously.

The weak pace of corn exports continues in the 2019-20 marketing year. Through the first 26 days of the marketing year, the USDA reported corn exports at 63 million bushels, down from 180 million bushels last year over the same period. Outstanding sales totaled 319 million bushels on September 26, compared with 596 million bushels last year. Sales of corn sit lower to all regions of the world, but buying from Asia is particularly slow. Sales of corn to Japan sit at 33 million bushels, down from 79 million bushels a year ago. Outstanding sales to all of Asia total 42 million bushels, well below the 162 million bushels recorded last year. Mexico sits slightly below the previous year's totals in both sales and exports with total commitments coming in at 210 million bushels, 30 million bushels below last year. Total commitments sit at 19 percent of the projected export total for the 2019-20 marketing year, down from the five-year average of 30 percent.

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Uncertainty about the size of the 2019 U.S. corn crop continues. A sizeable reduction in corn production this year will influence export totals. South American production looks to have a say in the U.S. export market share as well. Forecasts of corn production in Argentina and Brazil during the 2019-20 marketing year currently sit at 5.94 billion bushels, slightly below last year. The forecasts for corn exports are lower. Projections of Brazilian exports fell by 157 million bushels to 1.34 billion bushels. At 1.32 billion bushels, the projection for Argentinian exports sits 98 million bushels lower than the last marketing year's estimate. A continuation of dry weather in the region holds the potential for full-season corn production to move lower.

USDA projections for the marketing year soybean exports sit at 1.775 billion bushels. Soybean exports for the 2018-19 marketing year totaled 1.759 billion bushels; down 370 million bushels from the 2017-18 marketing year. Driven by the trade war, exports to China fell 542 million bushels from the 2017-18 marketing year. The loss of the Chinese market overwhelmed growth to other trading partners.

Through September 26, the USDA reported soybean exports at 100 million bushels, on pace with last year. Outstanding sales totaled 415 million bushels, compared with 628 million bushels last year. An uptick in soybean sales to China continued over the last week as we move closer to the next round of trade negotiations. Outstanding sales attributed to China sit at 136 million bushels for the marketing year. A continuation of sales to China looks probable leading into the trade negotiations. Mexico sits slightly below last year's totals in both sales and exports with total commitments coming in at 80 million bushels, 30 million bushels below last year. Total commitments sit at 30 percent of the projected export total for the 2019-20 marketing year, down from the five-year average of 46 percent. The ability to attain the current projection hinges on the size of the upcoming crop in South America and the trade negotiation dynamics associated with China.

Lower soybean acreage in the U.S. combined with a positive September 1 stocks report places 2019-20 ending stocks for soybeans near 550 million bushels under current consumption expectations. A lower yield than the current 47.9 projection promises to tighten ending stocks even more. Brazilian production forecasts near 4.52 billion bushels show a 220 million increase over last year's crop. While the Argentine production forecast is down slightly, a larger soybean crop out of South America seems in the offing barring production issues. USDA forecasts 3.1 billion bushels of soybeans exports from Brazil and Argentina over the marketing year, up from last year's 3.07 billion bushel estimate. Without a crop shortfall, stronger South American exports appear probable under current trade scenarios.

A stronger pace of exports this marketing year is a function of crop size both domestically and overseas. The October 10 *Crop Production* report will be significant for export potential and price prospects in corn and soybean markets. While exports started slowly, the potential to meet USDA projections still exists due to uncertainty on production potential and trade negotiations.

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