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Weekly Outlook: Corn and Soybean Export Update

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April 8, 2019

farmdoc daily (9): 62

Recommended citation format: Hubbs, T. "[Corn and Soybean Export Update](#)." *farmdoc daily* (9): 62 , Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, April 8, 2019.

Permalink: <https://farmdocdaily.illinois.edu/2019/04/corn-and-soybean-export-update.html>

As the administration continues to negotiate a trade deal with China, the prospect of a resolution looms larger for corn and soybean export potential in 2019. Corn exports weakened in the early part of this year as they pulled back from the torrid pace seen throughout 2018. Soybean exports look to benefit from a trade deal resolution as recent sales to China buoyed optimism for this marketing year.

The USDA lowered the 2018-19 marketing year projection for corn exports to 2.375 billion bushels in the March WASDE report. Corn export sales continued to disappoint until a bump from Chinese buying last week. For the first half of the marketing year, corn exports came in at near 1.12 billion bushels. Through April 4, corn exports sit near 1.317 billion bushels. For the rest of the current marketing year, 1.06 billion bushels of corn exports are required to meet the USDA projection. Over the last four marketing years, corn export totals from April through August averaged 1.08 billion bushels. The largest total, associated with poor crops in some major exporting countries, occurred during the previous marketing year and came in at 1.39 billion bushels. Without the hefty export total from last year, the remaining three years averaged 978 million bushels.

Looking forward, outstanding sales of corn through March 28 total 518 million bushels, down from the 910 million bushels of sales at the same time last year. Mexico, Japan, and South Korea lead the way in corn purchases. While the prospects of China entering the corn export market continue to generate speculation, current outstanding corn sales to China sit at 18 million bushels. When taking into account accumulated exports and sales, the total commitments for corn through March 28 sit at 1.7 billion bushels, down 164 million bushels for commitments at the same time last year. Mexico, Japan, South Korea, and Columbia account for 70 percent of total commitments on the books thus far. As a percentage of last marketing year's exports, total commitments for Mexico, Japan, South Korea, and Columbia sit at 85, 71, 59, and 68 percent respectively. The potential for continued strong exports remains for major U.S. markets, but an increase in corn buying from other markets looks necessary to reach the current USDA projection.

Projected soybean exports began the marketing year at 2.06 billion bushels last September despite the ongoing trade fight with China. USDA projections for soybean exports decreased 160 million bushels in

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November and subsequently fell to the current forecast of 1.875 billion bushels in the February WASDE report. Through April 4, soybean exports sit near 1.16 billion bushels. For the rest of the current marketing year, 718 million bushels of exports are required to meet the USDA projection. Over the last four marketing years, soybean export totals from April through August averaged 386 million bushels. The largest total occurred last marketing year and came in at 559 million bushels.

Total outstanding sales through March 28 for the current marketing year totaled 501 million bushels. Outstanding sales to China constitute 58 percent of the total sales. At 293 million bushels, the sales to China highlight the recent uptick in Chinese buying associated with trade negotiations. Since March 28, the Foreign Agricultural Service reported two additional purchases of soybeans totaling 60 million bushels to China for the 2018-19 marketing year. The lack of a trade deal holds peril for soybean exports this marketing year given China's prominence in current outstanding sales. Currently, total outstanding sales come in 137 million bushels above last year. Sales to Mexico sit at 58 million bushels, eight million bushels above last year's level. Additionally, outstanding sales to countries outside of China and Mexico trail last year's level by 69 million bushels with 149 million bushels of sales.

Total commitments for soybeans through March 28 came in near 1.6 billion bushels, down 289 million bushels for commitments at the same time last year. China, Mexico, Japan, and the EU-27 account for 60 percent of total commitments. Development of growth in the soybean export market remains highly contingent on events associated with the current trade negotiations. African swine fever in China could dampen soybean meal demand over the next 6-12 months. Argentina and Brazil stay on track to produce large soybean crops. Weak currencies and low prices in both countries make competition for soybean export markets stiff this year.

The implications of a failed trade deal with China appear to be growing more acute for soybean exports this year. Soybean ending stocks and prices remain exposed to severe issues without a resolution. Corn export pace needs to pick up to meet current USDA projections. The upcoming WASDE report may not adjust exports, but the risks remain.

YouTube Video: Discussion and graphs associated with this article at youtu.be/u4Pu901RURw