

Normally we do not expect USDA to make any significant updates to its corn balance sheet in March but the recent pace of corn exports caused the latest USDA numbers to vary significantly from expectations. Prior to the report analysts polled by Reuters said they expected US corn ending stocks for the 2017-18 marketing year to be 2.312 billion bushels, with the low end of the range at 2.240 billion. Higher export forecasts were the primary reason for the reduction in carryover stocks although USDA also noted an increase in the amount of US corn for ethanol production. An adjustment in exports was warranted given strong export sales in recent weeks. Weekly exports in the four weeks ending March 1 averaged a little under 40 million bushels per week, 25% less than the same period a year ago. However, **net sales during this period averaged 70 million bu. per week, a 140% jump from the same period a year ago while outstanding sales at 839.4 million bushels are currently 12% ahead of last year's levels.** It is clear that USDA believes US corn exports will remain quite robust for the next three months as South America production falls short of expectations.

In recent years Argentina and Brazil have captured a larger share of global corn export trade and supply disruptions there can significantly impact demand for US corn. Back in 2000, Argentina and Brazil accounted for 21% of world corn exports. Last year their share had increased to 36% and this year it is expected to be 38% of global export volume. Argentina drought conditions have worsened in the last two months, leading USDA and other private analysts to significantly cut production potential for the country. The latest forecast is for Argentine corn production to be 36 million MT, down 3 million MT from the February estimate and 5 million MT (197 million bu.) less than a year ago. Brazil production is currently forecast at 94.5 million MT, about half a million less than was projected back in February and down 4 million MT from year ago levels. So at this point USDA expects production in these two major global suppliers to decline by about 9 million MT Y/Y (around 354 million bushels) and there is potential for further deterioration. Indeed, some reports from Brazil currently project smaller crop than USDA and there does not seem to be any relief for the Argentine drought. Increasing corn export forecast by 175 million bushels and adding another 50 million bushels to ethanol use meant that ending stocks for 2017-18 are now forecast at 2.127 billion bushels, still a relatively ample amount but not as burdensome as some were thinking. The next piece in the puzzle will come when USDA examines the quarterly stocks data at the end of this month and adjusts, if necessary, the feed and residual estimate. USDA is currently forecasting a 1.5% increase in feed/residual use. But producers have had to push cattle into feedlots earlier than expected, which could increase feed demand and hog weights continue to run significantly above year ago levels. Early indications for 2018-19 point to still relatively ample supplies but they rely on trend yields and lower exports, two major wild cards.

The balance sheet for soybeans did not present any major surprises although analysts were expecting a somewhat smaller carryover stock than USDA is now forecasting. Interestingly USDA revised lower its estimate for US

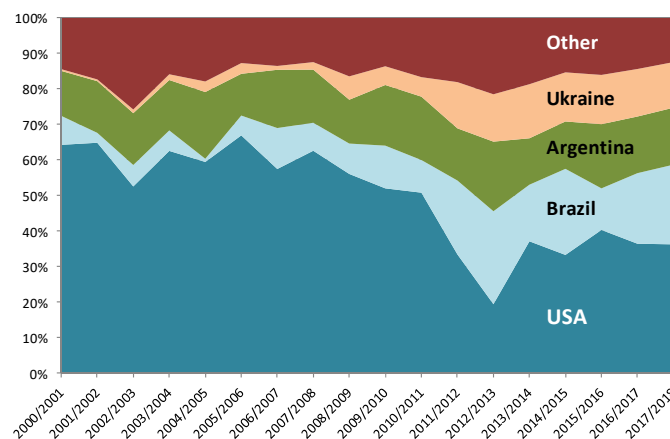
U.S. Corn Supply and Use

	2015/16		2016/17		2017/18		% Change vs. 2015/16	vs. 2016/17	2018-19 USDA Outlook Forum
	USDA Actual	USDA Estimate	USDA Feb Est	USDA Mar Est					
Planted	88.0	94.0	90.2	90.2	2.5%	-4.0%			90.0
Harvested	80.8	86.7	82.7	82.7	2.4%	-4.6%			82.7
Yield per harvested acre	168.4	174.6	176.6	176.6	4.9%	1.1%			174.0
Beginning stocks	1,731	1,737	2,293	2,293	32.5%	32.0%			2,352
Production	13,602	15,148	14,604	14,604	7.4%	-3.6%			14,390
Imports	68	57	50	50	-26.5%	-12.3%			50
Supply, total	15,401	16,942	16,947	16,947	10.0%	0.0%			16,792
Feed and residual	5,114	5,467	5,550	5,550	8.5%	1.5%			5,475
Ethanol for fuel	5,224	5,439	5,525	5,575	6.7%	2.5%			5,650
Food, seed and residual	1,424	1,450	1,470	1,470	3.2%	1.4%			1,495
Domestic use, total	11,763	12,356	12,545	12,595	7.1%	1.9%			12,620
Exports	1,901	2,293	2,050	2,225	17.0%	-3.0%			1,900
Use, total	13,664	14,649	14,595	14,820	8.5%	1.2%			14,520
Ending stocks	1,737	2,293	2,352	2,127	22.5%	-7.2%			2,272
Avg. farm price (\$/bu)	3.61	3.36	3.05-3.55	3.15-3.55	-7.2%	-1.5%			15.6%
Ending Stocks/Use	12.7%	15.7%	16.1%	14.4%					

Source: USDA Monthly WASDE Report. 2018-19 USDA Projections are from February USDA Outlook Meeting
** Corn crop marketing year starts September 1.

Main Global Corn Exporters. Share of Total Exports

Data Source: USDA FAS



soybean exports and carryover stocks for soybean meal were unchanged despite higher exports. Still, **futures markets remain particularly concerned about the state of the soybean crop in Argentina.** Soybean meal futures, a key component in hog and poultry diets, have jumped 15% in the last four weeks as tight supplies in Argentina come into focus.

The Daily Livestock Report is made possible with support from readers like you. If you enjoy this report, find it valuable and would like to sustain it going forward, consider becoming a contributor. Just go to www.DailyLivestockReport.com to contribute by credit card or send your check to The Daily Livestock Report, P.O. Box 4872, Manchester, NH 03018

Thank you for your support!

The Daily Livestock Report is published by Steiner Consulting Group, DLR Division, Inc.. To subscribe, support or unsubscribe please visit www.dailylivestockreport.com.

The Daily Livestock Report is not owned, controlled, endorsed or sold by CME Group Inc. or its affiliates and CME Group Inc. and its affiliates disclaim any and all responsibility for the information contained herein. CME Group®, CME® and the Globe logo are trademarks of Chicago Mercantile Exchange, Inc.

Disclaimer: The Daily Livestock Report is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.