

## Strong exports and feed usage, but ethanol output has slipped

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### Market Analysis

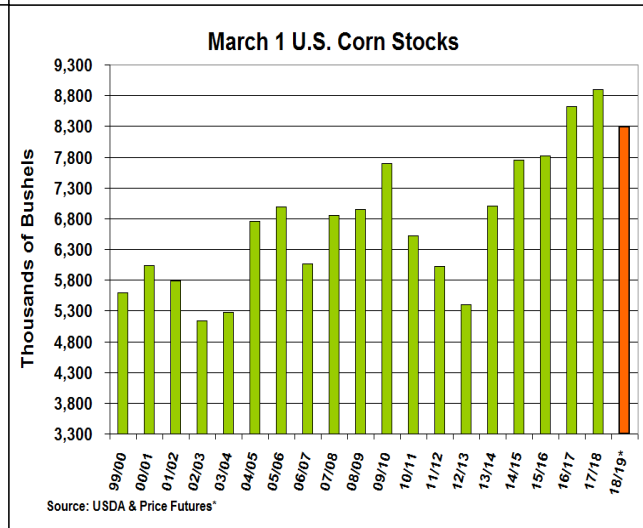
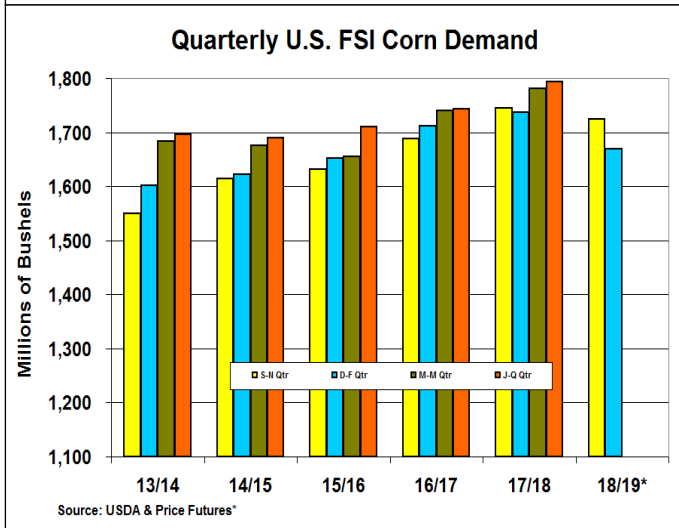
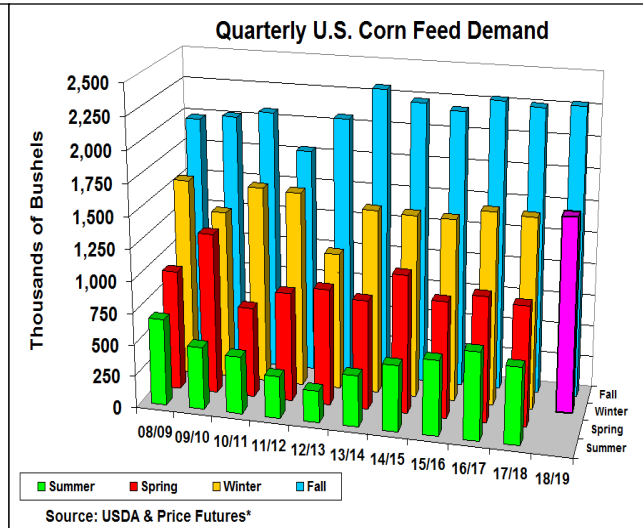
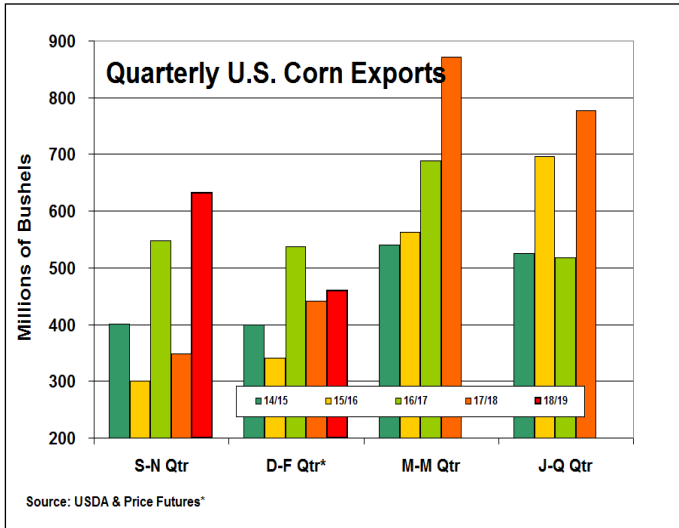
The corn market's attention will be split on March 29 between the USDA's reports and the US/China trade news if negotiations continue on that date. The government will be releasing their quarterly stocks and 2019's planting intentions. Traditionally, the first US survey-based prospective plantings get more attention, but the USDA's quarterly stocks are important milestones on how US grain and soy demand are progressing.

After a strong fall shipment level (2nd highest since 2007/08 crop year) this winter's foreign corn demand slipped. This year's first half exports are now slightly behind corn's 2016/17 shipment pace. This slowdown prompted a 75 million USDA cut in corn's exports earlier this month. Brazil's 2nd crop corn output will determine if this USDA outlook remains on target.

This year's better than average conversion rate of plus 2.8 gallons per bu. cut corn's FIS usage by 2.2% last fall. This rate and 2019's cold/wet winter cutting the US driving level, corn's ethanol usage may be down by 3.9% (- 67 million bu.). This summer's expanded 15% ethanol blends across the US will be positive for corn's FSI demand, but 2018/19's stronger ethanol output per bu. may keep corn's 2nd half demand flat.

This quarter's corn stocks level will be closely watched to see if this year's feed demand needs to be adjusted from its 5.375 billion bu. level. To calculate U.S. feed usage, both elevator & farmer stocks need to be surveyed.

This year's US animal numbers remain strong with US cattle feedlot inventories 1-1.5% higher this past winter quarter. Hog and broiler weekly slaughters have been 1.5% to 2.5% higher during much of the past quarter, too. The winter's cold/wet US weather suggests a modest 2% US feed demand increase (30 million bu) to 1.535 billion bu. last quarter. This projects an 8.295 billion bu. March 1 US corn stocks, down 587 million bu. from 2018.



**What's Ahead:** Despite solid foreign demand and US feed demand, this year's sluggish ethanol corn demand because of cold/wet weather reducing driving levels has the trade indifferent about 2019's March 1 stocks. Talk of expanded Chinese corn, ethanol, DDGs, & sorghum buys if a US/China trade agreement is reached could be more significant to prices, particularly given corn's current huge fund short position. **Hold sales.**

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