



# October 2016 – Trade Update

## Public Policy Department

### Budget & Economic Analysis Team

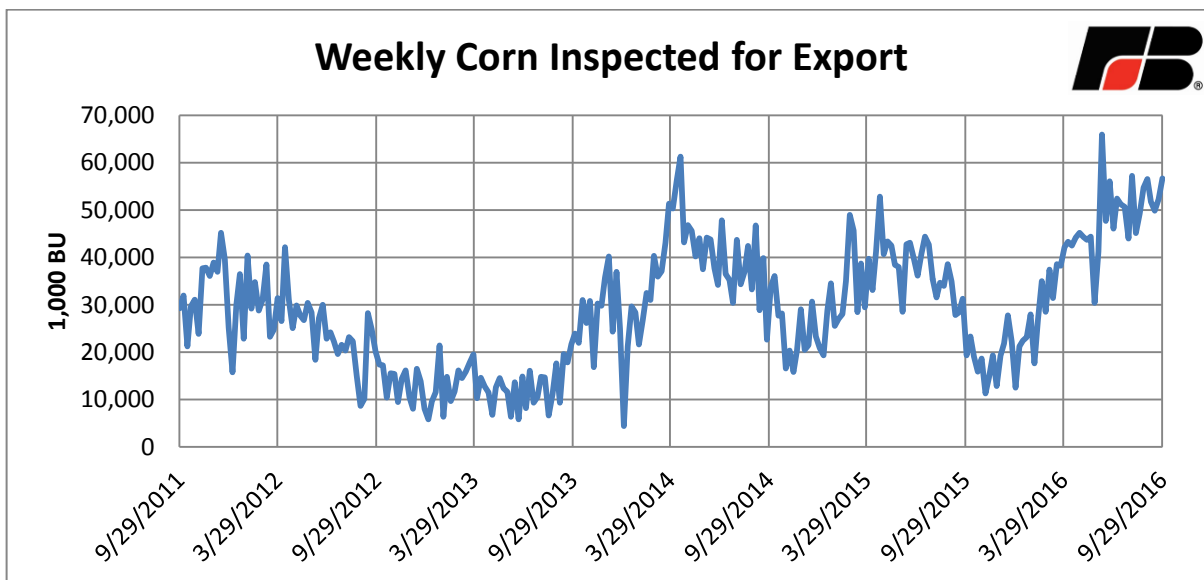
## Corn, Bean and Wheat Export Inspections Remain Strong

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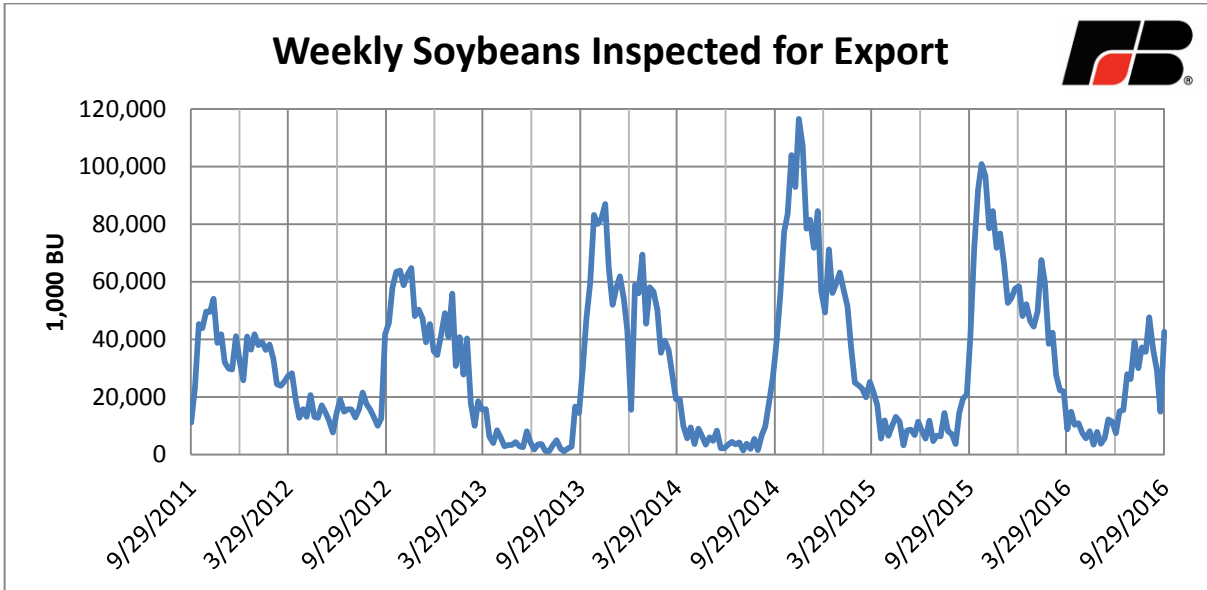
Current market year-to-date corn, soybean and wheat inspected for export continue to outpace the previous market year to date, but divergence across commodities in weekly inspections compared to the same week last year is starting to appear.

On corn, this week's export inspections, at 1.47 million MT are nearly 1 million MT greater than the same time last year. This difference is equivalent to an additional 38 million bushels being inspected for export during the week of 9/29/16 compared to same week last year. This is consistent with previous weeks this marketing year—there hasn't been a week yet where the gap has been any less than 20 million bushels. Year-to-date corn inspections are up 77 percent, compared to the previous marketing year.

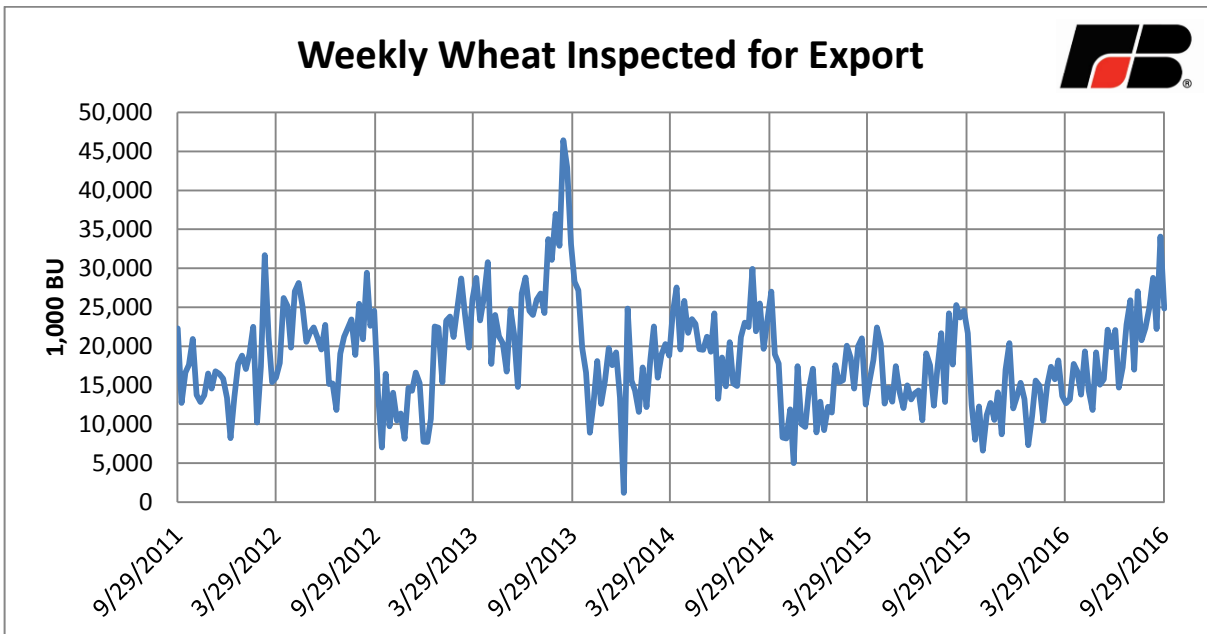
There has been a lot of discussion this week about China's announcement that the country will allow corn exports for the first time in a decade and how that might affect the strength of U.S. corn exports over the next weeks. Certainly we know that China has large domestic corn stocks on its hands, in large part due to subsidy programs that encouraged production (and a lawsuit brought by the U.S at the WTO). We also know that much of China's stocks have been sitting a very long time in less than ideal conditions. What we don't know with any precision, and anyone who claims otherwise is overestimating their market intelligence, is how big those big stocks are and their condition. Folks on the ground claim to have seen a lot of moldy corn that isn't suitable for export. So, how big an impact potential Chinese corn exports will have on the market remains to be seen, but put me in the minimal camp.



Soybeans got off to an incredibly strong start this marketing year. Inspections in the current marketing year are up 36 percent compared to the previous year, due to very strong numbers in the early weeks. However, recent week inspections are starting to look a lot more like a year ago. For the week ending 9/29/16 soybean inspections were 1.1 million MT, compared to 1.06 million MT during the same week last year.



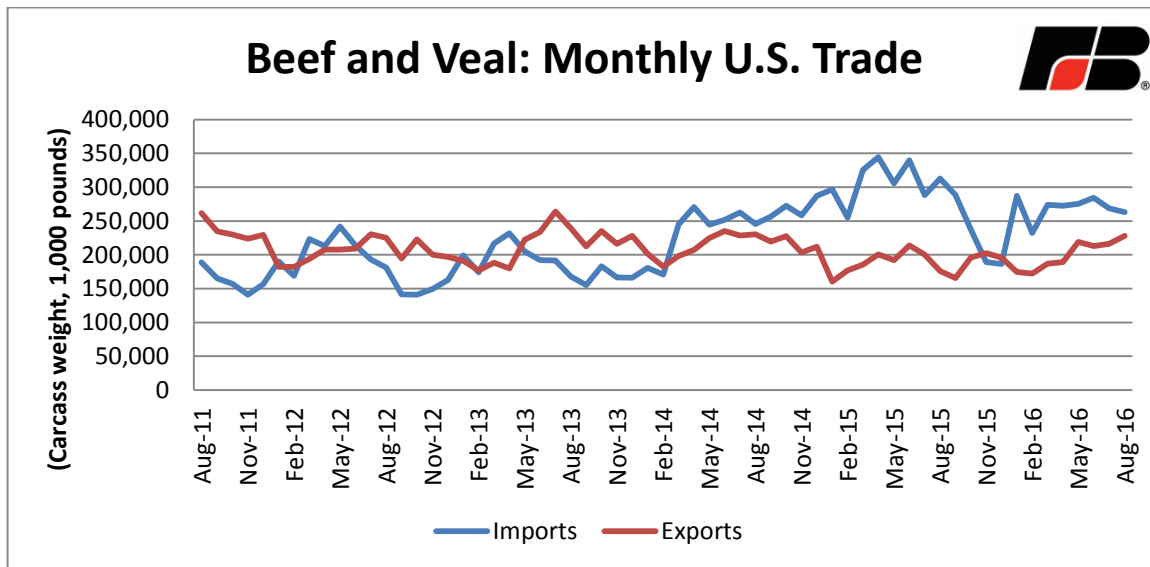
Wheat inspections continue to outperform compared to last year, both on a week ending basis and market year to date basis. For the week ending 9/29/16 inspections were up 14 percent compared to the same week last year. Current marketing year-to-date inspections are up 26 percent compared to last year. For the sake of eating into the massive U.S. wheat stocks we have amassed, let's hope that this trend of international buyers stocking up while prices are low continues.



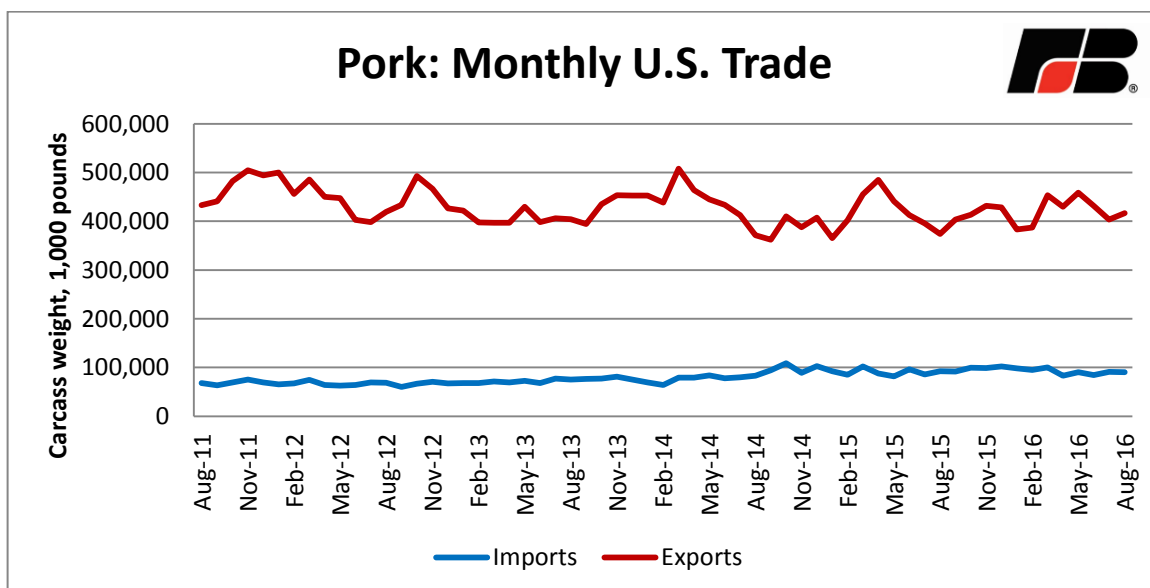
## U.S. Meat and Dairy Trade Showing Signs of Strength

On more competitive prices, cheap transportation and a slightly weakening dollar, U.S. beef, pork, poultry and dairy are all registering double digit export growth in August compared to the same time last year.

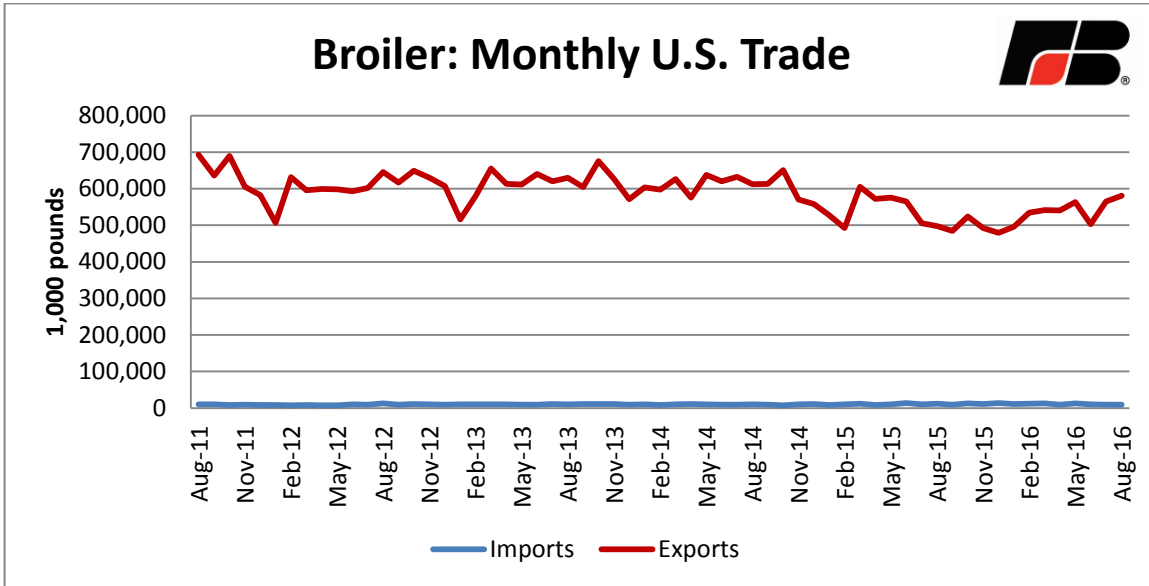
Beef trade is continuing to make slow progress back to more normal levels. Imports are starting to fall back to 2014 levels of around 250,000 thousand pounds. Imports were down 16 percent in August 2016 compared to the same month last year. Year-to-date imports are down 13 percent. Exports are beginning to pick up steam again. In fact, August 2016 exports were 30 percent above the same time last year, and 10 percent above the 5-year monthly average.



Pork imports remained below 100 million pounds, less than 25 percent of exports. August 2016 exports are up 3 percent from July and up 11 percent above the same time last year.



Broiler exports are strengthening rapidly. August 2016 exports are up 17 percent compared to the same time last year. Increased export demand was primarily driven by Mexico, up 9 percent from last month, at more than 121 million pounds and to a lesser extent by Hong Kong, up 18 percent to more than 29 million pounds.



Finally, while dairy product exports are below prior year levels on a year-to-date basis, monthly export volume is improving over prior year levels. Dairy product exports through August 2016 were down 2 percent year-to-date, but were up 21 percent over last year's levels. The August 2016 export volume was the highest total since May 2015 and was led by record high milk powder exports to Mexico.

