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Weekly Outlook: Review of Export Progress for Corn, Ethanol, and Distillers Grains

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The focus in the corn market has mostly turned to 2015 production prospects and implications for the magnitude of stocks at the end of the 2015-16 marketing year. Still, the pace of old crop consumption will determine the magnitude of carryover stocks into the new marketing year. In addition, the magnitude of consumption of corn, ethanol, and distillers' grains sheds some light on the strength of demand heading into that new year. Here, we review the recent pace of exports for those three commodities.

The pace of corn exports during the first half of the current marketing year exceeded the pace of a year earlier, but lagged the pace needed to reach the USDA projection of total marketing year exports. The weekly rate of export inspections, however, accelerated beginning in the last week of February so that cumulative inspections as of May 7, 2015 totaled 1.134 billion bushels. Cumulative Census Bureau export estimates from September 2014 through March 2015 exceeded cumulative export inspections by 59 million bushels. If that margin has persisted, exports through May 7 totaled 1.193 billion bushels. With 16.6 weeks left in the marketing year, an additional 607 million bushels of exports, an average of 36.6 million bushels per week, will be needed to reach the current USDA projection of 1.8 billion bushels for the year. For the six weeks ended May 7, weekly export inspections averaged 42.8 million bushels per week.

As of April 30, 519 million bushels of U.S. corn had been sold for export, but not yet shipped. It appears that additional sales of about 88 million bushels, or about five million bushels per week, will be required in order for total export commitments to reach 1.8 billion bushels. For the five weeks ended April 30, new sales averaged 29.7 million bushels per week. While the export demand for U.S. corn for the remainder of the marketing year is uncertain, the recent pace of export inspections and new export sales are certainly supportive of the projection of 1.8 billion bushels for the year.

The U.S. corn market also depends to some degree on the strength of export demand for ethanol and distillers' grains. On a corn marketing year basis, U.S. ethanol exports reached a peak of 1.087 billion

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gallons in 2011-12, accounting for eight percent of U.S. production. Exports were exceptionally large that year due to a sharp decline in Brazilian ethanol production resulting from a small supply and high price of sugar. While Canada is the largest market for U.S. ethanol in most years, Brazil was the largest importer in that year. U.S. ethanol exports declined to 554 million gallons in 2012-13 as U.S. ethanol production was limited by the smaller supply and record high price of corn. Exports rebounded to 792 million gallons in 2013-14, accounting for 5.6 percent of U.S. ethanol production. Through the first seven months of the current marketing year, the Census Bureau reports cumulative ethanol exports of 540 million gallons, nearly nine percent more than exported during the same period last year. That increase reflects much larger shipments to Brazil. Exports so far this year have accounted for 6.4 percent of domestic ethanol production. While there is no publically available information on ethanol export commitments for the remainder of the year, exports are on pace to be the second largest, behind only those of 2011-12.

Since 2010, China has been the largest export market for U.S. distillers' grain, with Mexico a distant second. On a corn marketing year basis, exports of distillers' grains reached a peak of 13.3 million tons in 2013-14. Until recently, official estimates of the magnitude of domestic production of distiller' grains have not been available. Historical production estimates are based on the USDA estimates of the amount of corn used for ethanol production and assumptions about the average yield of co-products, including distillers' grain, per bushel of corn. That rough methodology suggests that distiller's exports accounted for about 30 percent of U.S. production during the 2013-14 marketing year.

Export demand for U.S. distillers' grains suffered from late 2014 through early 2015 due to Chinese import restriction. Exports to China averaged about 595 thousand tons per month in May, June, and July of 2014. That average dropped to 107 thousand tons from September 2014 through January 2015. Exports recovered to 517 thousand tons in March 2015. As a result of the Chinese import restrictions, U.S. distillers' grains exports during the first seven months of the 2014-15 marketing year totaled only 6.67 million tons, 18 percent less than during the same period in the previous year. Last year, exports were also quite large from May through August. While the pace of exports is recovering, shipments will likely continue to lag those of a year ago into the summer. Large year-over year increases will be registered beginning in September.

The strength of export demand for U.S corn, ethanol, and distillers' grains is not completely revealed by the magnitude of shipments since quantity demanded presumably varies with price. However, the current robust pace of corn and ethanol exports and prospects for further improvement in the pace of distillers' grains exports are encouraging. A continuation of modest corn prices suggests that export quantities will remain large.

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