



# WEEKLY OUTLOOK



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## **A CLOSER LOOK AT U.S. CORN EXPORTS**

The USDA expects U.S. corn export during the current marketing year to reach 2.25 billion bushels. At that level, exports would be 103 million bushels larger than shipments of a year ago and at the highest level since 1989-90.

Historically, marketing year U.S. corn exports have exceeded 2 billion bushels only 8 times. Prior to last year, exports had not exceeded 2 billion bushels since 1995-96 and had languished in the range of 1.5 to 1.98 billion bushels. Exports started their recovery in the second quarter of the 2005-06 marketing year and were especially large in the summer of 2006. At 620 million bushels, exports in June, July, and August of 2006 were the largest since 1980 and were the fourth largest ever. Exports during the fall of 2006 were estimated at 592 million bushels, the largest since 1995. The pace of exports remained large though the latest reporting week of February 8, 2007.

The USDA reported cumulative export inspections from September 1, 2006 through February 8, 2007 at 949.2 million bushels, 138 million more than inspected during those same 23 weeks last year. Cumulative exports estimated by the USDA in the weekly *Export Sales* report had reached 983.6 million bushels by February 8, 2007. It is typical for total shipments to exceed the amount inspected. The official source of corn export estimates, however, are provided by the Census Bureau. It is not unusual for Census Bureau estimates to exceed those in the USDA's report of exports. For the current year, Census Bureau estimates are available through December 2006. At the end of December, cumulative estimates from the Census Bureau exceeded those of the USDA by 22.3 million bushels. If that margin of difference persisted through February 8, 2007, cumulative exports were likely near 1.006 billion bushels, meaning that exports averaged 43.74 million bushels per week through the first 23 weeks of the marketing year. To reach the USDA projection of 2.25 billion bushels for the year, shipments need to average about 42.9 million bushels per week during the last 29 weeks of the year, for a total of 1.244 billion bushels. As of February 8, the USDA reported that 475.5 million bushels of corn had been sold for export during the current marketing year, but not yet shipped. That figure implies that new sales need to total only about 770 million bushels to reach the USDA projection. That is an average of 26.6 million bushels per week.

The large increase in year-over-year export commitments of U.S. corn this year reflects larger purchases by Mexico. As of February 8, 2007, the USDA reported that Mexico had purchased 255 million bushels of U.S. corn for delivery during the current marketing year. That compares to purchases of 148 million at the same juncture last year. Mexico accounts for 40 percent of the year-over-year increase in export sales of U.S. corn.

In addition to increased demand from Mexico, U.S. corn exports have benefitted from at least four other factors. First, a continuation of relatively small exports from China has provided the U.S. with a larger share of the world market. South Korea, for example, has purchased about 10 million bushels more U.S. corn this year than purchased last year as a result of the limited supply of corn from China. Second, a small 2006 corn crop in Argentina resulted in a 200 million bushel reduction in Argentine corn exports, also providing the U.S. with a larger share of the export market. Third, the small world wheat crop of 2006 likely increased world demand for corn. Fourth, strong world demand for corn will push consumption to a record level, forecast at 28.7 billion bushels during the current marketing year.

The strong world demand for U.S. corn has been one of the factors contributing to the significant strength in corn prices over the past 5 months. However, demand for U.S. corn may weaken somewhat over the next several months. The rebound in Argentine corn production suggests increased competition for U.S. corn. Record production in Brazil this year may also result in another 30 or 40 million bushels of exports from that country. Finally, a significant rebound in world wheat production could soften the demand for U.S. corn. The wild card will continue to be the magnitude of Chinese corn exports.

The strength of export demand for U.S. corn will be important as U.S. corn production struggles to keep up with domestic demand for ethanol production. Softer export demand, along with a significant increase in U.S. corn production in 2007, would provide a little more breathing room in the tightening supply and demand balance sheet.

Issued by Darrel Good  
Extension Economist  
University of Illinois