



# WEEKLY OUTLOOK



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## **CORN EXPORTS COULD BE RECORD LARGE**

The USDA now expects a slower rate of increase in the use of ethanol for corn production than was forecast last month, but expects larger U.S. exports. Exports for the 2007-08 marketing year that began on September 1 are forecast at 2.35 billion bushels.

Marketing year corn exports have exceeded the projected level for 2007-08 only three times. Exports totaled 2.367 billion bushels in 1989-90, 2.391 billion in 1980-81, and 2.402 billion in 1979-80. The forecast is 10.6 percent larger than exports during the 2006-07 marketing year. The large projection results from a smaller supply of feed grains in the rest of the world, a second consecutive small wheat crop in the rest of the world, and very large export sales early in the year. Through the first six weeks of the marketing year, exports of U.S. corn area running slightly behind the pace of a year ago, but unshipped sales are extremely large. For the latest reporting week, the USDA indicated that 727 million bushels of corn had been sold for export, but not yet shipped. At the same time last year, outstanding sales totaled only 429 million bushels. The largest year-over-year increases in U.S. export commitments are to South Korea, Mexico, and Japan.

The USDA now forecasts 2007-08 total coarse grain production outside of the U.S. at 696 million tons, 8.5 million less than the September forecast and four million less than 2006-07 production. The second consecutive large corn crops in Argentina and Brazil are expected to result in large exports from those two countries. However, combined exports are projected at 945 million bushels, 50 million less than exported in 2006-07. Chinese corn exports are projected at only 59 million bushels, half of the September forecast and only about 30 percent as large as exports in 2006-07.

Large U.S. corn exports will help offset the slow down in domestic feed and residual use of corn and a somewhat slower rate of increase in corn used for ethanol production. Domestic feed and residual use of corn reached record levels near 6.2 billion bushels in 2004-05 and 2005-06. Increased feeding of co-product feed from ethanol production has been substituting for corn feeding recently, but the apparent feed and residual use of corn during the 2006-07 marketing year was surprisingly small. The larger than expected estimate of September 1, 2007 corn inventories resulted in a calculation of 2006-07 feed

and residual use of corn of only 5.6 billion bushels. There is some chance that the size of the 2006 corn crop was underestimated, resulting in an under estimate of feed and residual use of corn. The USDA will release its final estimate of the size of the 2006 crop in the second week of January 2008. The small estimate of feed and residual use for 2006-07 resulted in a reduction in the forecast for 2007-08. Feed and residual use for the current year is forecast at 5.7 billion bushels, reflecting continued expansion in hog numbers.

Corn used for ethanol production totaled 2.115 billion bushels in the 2006-07 marketing year and is now forecast at 3.2 billion bushels during the current year. The forecast is 100 million less than the September forecast and 200 million less than the August forecast. The USDA points to lower returns for ethanol producers as the reason for the smaller forecast.

Use of corn for all purposes during the 2007-08 marketing year is forecast at 12.64 billion bushels, 1.42 billion more than used last year, but 150 million less than forecast last month. On the production side, the USDA forecasts the 2007 harvest at 13.318 billion bushels, about unchanged from the September forecast. The forecast of harvested acreage was increased by 653,000 (reflecting an increase in the estimate of planted acreage of 728,000) and the forecast of the U.S. average yield was reduced by 1.1 bushels to 154.7 bushels. Stocks of U.S. corn at the end of the current marketing year are forecast near two billion bushels. Stocks at that level suggest that an increase in U.S. corn acreage may not be needed in 2008. Some decline in corn prices following the large projection of year-ending stocks would not have been surprising, but prices actually increased. There may be some concern that the 2007 crop forecast could be lowered again in November. Since 1975, there have been two other years (1990 and 2006) when the U.S. average yield forecast increased in September and then declined in October, as occurred this year. In both of those years, the yield forecast declined in November and the final estimate in January was below the November forecast. The decline from October to January was 1.5 percent in 1990 and 2.9 percent in 2006. Declines of that magnitude this year would total 2.3 and 4.5 bushels, respectively, or about 200 to 400 million bushels.

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