



Weekly Outlook: Will Corn Exports Recover?

Todd Hubbs

Department of Agricultural and Consumer Economics
University of Illinois

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Despite the corn crop dropping by 118 million bushels in last Friday’s WASDE report, a 100 million bushel reduction in 2019-20 corn use muted any positivity. While expected by most market observers, the slow pace of corn exports to begin the marketing year saw the forecast drop by 50 million bushels. The potential for a stronger export pace exists but is dependent on production levels around the world and the competitiveness of U.S. corn export prices.

Corn export projections sit at 1.85 billion bushels, the lowest total for a marketing year since the drought-impacted crop of 2012-13. Census Bureau data indicated corn exports in September totaled a little over 80 million bushels. Through October 31, corn exports sit near 160 million bushels. For the rest of the current marketing year, 1.69 billion bushels of corn exports are required to meet the USDA projection. Over the last five marketing years, corn export totals from November through August averaged 1.795 billion bushels. The largest amount, associated with poor crops in some major exporting countries, occurred during the 2017-18 marketing year and came in at 2.19 billion bushels. Without the hefty export total from that marketing year, the remaining four years averaged 1.69 billion bushels.

Export weakness began in the summer as the massive second corn crop from Brazil came into the world market. A hefty price differential between the Brazilian and U.S. corn export prices incentivized corn buying in Brazil by many traditional U.S. export customers. The price rally in the U.S. associated with expectations of a reduced U.S. crop saw export price spreads explode in June and July of this year. The differential eclipsed forty cents per bushel for an extended period this summer. The price movement led to attractive local prices for Brazilian producers and encouraged selling. CONAB reported the second crop in Brazil at 2.88 billion bushels. This crop came in almost 760 million bushels larger than last year’s second crop. Brazilian exports from July through October totaled near 1.01 billion bushels. The phenomenal pace of Brazilian exports eclipsed the previous year’s total over the same period by around 600 million bushels and raises the question of how much corn Brazil has left. While the Census Bureau has released no official data for U.S. corn exports in October, U.S. exports from July through October came in near 386 million bushels.

Corn export sales continue to disappoint. Outstanding sales of corn, as of October 31, total 313 million bushels. This pace of sales is down from the 470 million bushels of sales at the same time last year. Outstanding sales sit lower for every major export market except for Mexico this marketing year. When

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taking into account accumulated exports and sales, the total commitments for corn as of October 31 sit at 468 million bushels, down 419 million bushels for commitments at the same time last year. The potential for an uptick in buying from major U.S. markets remains, but dependence on U.S. export competitiveness may prevent strong growth.

The free on board export price differential between Brazilian and U.S. export prices recently narrowed considerably. In early November, the differential fell below ten cents. In the November WASDE, the USDA raised Brazilian marketing year exports by 78.7 million bushels to 1.42 billion bushels on the recent strength. Eventually, one would think that Brazil would run out of corn for export and weakness in export totals from Brazil materializes. Competition may turn to Ukraine. Projections for the Ukrainian corn crop sit at 1.4 billion bushels, slightly below last year's record production total. The forecast for corn exports out of the region totals 1.18 billion bushels. Reports of first quarter 2020 buying out of Ukraine picking up pace may influence corn exports to some of our traditional markets.

Production in the U.S. and Brazil looks to influence corn export potential in 2020. If production totals for the U.S. continue to deteriorate, export levels may continue to show weakness. If the U.S. corn crop stays at near the current projection of 13.66 billion bushels, lower prices under the present weak demand should see exports pick up strength in 2020. The size of the Brazilian crop looks to be an important variable for U.S. exports, particularly later in the marketing year. The USDA left the Brazilian corn production forecast unchanged at 3.98 billion bushels. Delays in planting the soybean crop in Brazil hold the possibility of pushing planting the second corn crop later than ideal for many regions of Brazil. Depending on corn prices, Brazil may slash corn acreage or gamble on a later planted crop maturing in the dry season. A considerable amount of uncertainty looks to continue deep into 2020. A smaller second crop of corn in Brazil could benefit U.S. corn exports next summer.

The corn export pace needs to pick up to meet current USDA projections. A slow harvest domestically combined with abundant crops in major exporting competitors foretells a continuation of a slow export pace in the near term. As we move into 2020, corn exports remain dependent on production totals in South America and the competitiveness of U.S. export prices.

Discussion and graphs associated with this article available here:

<https://farmdoc.illinois.edu/assets/podcasts/weeklyoutlook/WillCornExportsRecover.mp4>