



Weekly Outlook: Export Update for the Corn Complex

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As the focus turns to the growing season and markets look to recover from the worst of the pandemic, export markets continue to reveal consumption information relevant to corn price formation during 2020. Exports in the corn complex will play a significant role in determining prices moving forward.

Current marketing year estimates for corn exports sit at 1.775 billion bushels. Recent export inspection and sales data for corn signal support for reaching the USDA estimate. After a slow start to the marketing year, Census Bureau estimates of corn exports showed another increase in April. At 199.5 million bushels, April’s corn exports indicated four straight months of higher export totals. Corn exports from September through January never eclipsed 100 million bushels. The weekly rate of export inspections accelerated beginning in the first week of February so that cumulative exports as of June 4 totaled 1.24 billion bushels. With a little over 12 weeks left in the marketing year, additional exports need to reach near 559 million bushels to reach the current USDA projection. The weekly pace to reach that total averages 42.6 million bushels per week. For the eight weeks ended June 4, weekly export inspections averaged 44.5 million bushels per week. As of May 28, 451 million bushels of U.S. corn had been sold for export, but not yet shipped. Total unshipped sales sit slightly below the estimated 559 million bushels required to reach USDA’s estimate.

While the export demand for U.S. corn for the remainder of the marketing year is uncertain, the potential for a repeat performance like the last marketing year appears diminished this year. Last year saw corn exports drop considerably due to Brazilian competition in the latter half of the marketing year. At this time last year, outstanding sales sat at 310 million bushels. Total corn exports from June to August came in at around 347 million bushels. Prices in the U.S. sit much lower than the large run-up in prices in 2019 due to planting difficulties. Corn prices in Brazil remain high and domestic demand may limit a repeat performance of the huge export pace seen last year. While the acreage planted for the Brazilian second crop sits up about nine percent this year, recent reports point toward lower yields in some key regions. The second crop harvest just began in many areas and indications of potential production look to become more evident over the next few weeks. Additionally, the Brazilian real saw strengthening against the dollar over the last few weeks. Since May 16, the real appreciated about 15 percent to levels not seen since the middle of March. Both production and currency issues bear watching over the next few weeks.

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The U.S. corn market relies, to a lesser degree, on exports of ethanol and distillers' grains. Due to lockdowns around the globe, an expectation of lower ethanol exports in April was in place. Last week's Census numbers confirmed this expectation. At near 99 million gallons, April exports came in down 34 percent from April 2019. On a corn marketing year basis, U.S. ethanol exports through April sit almost 26 million gallons below last year. Before the drop off in April, ethanol exports sat above last year's pace despite weaker exports to Brazil, the largest market for ethanol exports. Higher sales to South Korea, India, Colombia, and Canada made up for the market loss due to Brazilian domestic production. While ethanol exports to China failed to materialize in April, the prospect of buying under the trade agreement remains in place. Through the first eight months of the current marketing year, ethanol exports total 1.08 million gallons. While there is no publically available information on ethanol export commitments for the remainder of the year, economic recovery around the world looks to support increased ethanol exports as production recovers and the world emerges from lockdown.

Distiller's grain exports also fell off in April. The 765 thousand metric tons of exports came in down over 16 percent from April 2019. Overall, distiller's grain exports for the current corn marketing year sit down over four percent through April. Prior to 2016, China was the largest export market for U.S. distillers' grain, with Mexico a distant second. The withdrawal of China from the distillers' grain export market in late 2016 slowed exports some but growth in exports to Vietnam, the EU, South Korea, Thailand, and Indonesia provided support. They kept distiller's grain exports at a steady pace over the last few years. Exports through the first eight months of the marketing year came in at 6.98 million metric tons. Exports to China have yet to materialize in a robust way. The prospects for exports remain hopeful through the summer months and into the fall. DDGS prices in Central Illinois increased to above \$200 per ton in early April as ethanol production waned. Prices came down in mid-May as production picked back up and currently sit near levels earlier in the year. Export demand appears set to pick back up in conjunction with ethanol production and the burgeoning recovery of the economy.

April export totals for U.S. corn, ethanol, and distillers' grains provided by the Census Bureau came in as expected. The current pace of corn exports and prospects for further improvement in the pace of distillers' grains and ethanol exports are encouraging.