



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

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Last week, the Census Bureau released the corn export estimate for March. Exports for the month totaled 171 million bushels, 16 million bushels larger than exports in the same month last year. Exports during the first seven months of the 2015-16 marketing year are estimated at 814 million bushels, 150 million bushels less than during the same period last year.

The pace of corn exports has remained brisk in recent weeks. For the five weeks ended May 5, USDA corn export inspection estimates totaled 223 million bushels, seven million bushels larger than exports during the same period last year. Through March, cumulative Census Bureau export estimates exceeded cumulative export inspection estimates by 39 million bushels. If that margin has persisted, cumulative marketing year exports as of May 5 had reached 1.036 billion bushels, 164 million bushels less than cumulative exports of last year. To reach the USDA projection of 1.65 billion bushels for the year, exports during the remainder of the marketing year that ends on August 31, need to total 614 million bushels, or an average of about 36.4 million bushels per week. Based on the current pace of weekly exports and export sales, it appears that exports may exceed the current USDA projection, but will be well below last year's exports of 1.864 billion bushels.

The U.S. also exports corn in the form of livestock and livestock products and in the form of products made from corn. Two of the larger corn export products are ethanol and distillers' grains. The Census Bureau estimates that 520 million gallons of ethanol were exported during the first seven months of the 2015-16 marketing year, accounting for about six percent of total domestic ethanol production. China and Canada were the largest importers during that period, importing about equal amounts and accounting for 52 percent of total U.S. exports. India, South Korea, and the Philippines rounded out the top five importers and accounted for an additional 18 percent of U.S. exports. Ethanol exports during March 2016 were about 11 million gallons larger than during March 2015, but cumulative marketing year exports through March were 23 million gallons smaller than during the same period last year. Exports last year reached 872 million gallons, the second largest total behind 2011-12 when Brazilian ethanol supplies were unusually small.

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In addition to exporting slightly less ethanol so far this year, a larger percentage of U.S. ethanol has been produced with sorghum as the feedstock than was the case last year, further reducing the magnitude of corn exported in the form of ethanol. The USDA does not report the amount of sorghum used to produce feedstock every month in order to prevent disclosing data for individual operations. For the three months of October through December 2015, an estimated 32 million bushels of sorghum were used to produce ethanol, up from 8.7 million in the previous year. Sorghum used for ethanol production in the first three months of 2016 was estimated at 50.4 million bushels, with no comparison available for last year. For the period October 2015 through March 2016, a total of 3.127 billion bushels of corn and sorghum were used as ethanol feedstock, with 2.6 percent of that total being sorghum.

U.S. exports of distillers' grains during the first seven months of the 2015-16 corn marketing year were estimated at 7.14 million tons, up from 6.04 million tons during the same period last year. China was the largest importer accounting for 30 percent of the total. Mexico accounted for 16 percent of the total, with South Korea, Vietnam, and Canada rounding out the top five importers.

Corn exports in all forms during the 2015-16 marketing year will be less than exports during the previous year, with the largest decline in the form of whole corn. Corn exported as ethanol may be down slightly while corn exported as distillers' grains will be larger. Estimates of the amount of corn exported in the form of livestock have not been made, but red meat and poultry exports are increasing from the relatively low level of 2015.

Corn exports may exceed the current USDA projection, but the decline from exports of a year ago contributes to prospects for ample year-ending stocks and the continuation of relatively low corn prices. While July 2016 soybean futures prices increased nearly 12 percent from April 8 through May 6, July corn futures managed to increase by only 3.6 percent. The corn market does not appear to think that on-going drought conditions in a large portion of the second-crop corn production areas in Brazil will increase the demand for U.S. corn enough to substantially alter the year-ending stocks projection. The focus continues to be on prospects for another very large U.S. corn crop in 2016, led by an increase in acreage, and a further build-up of domestic stocks during the 2016-17 marketing year. The USDA's projected 2016-17 corn supply and consumption balance sheet to be released on May 10 will likely confirm those expectations for now.