



Issue Brief

U.S. Corn Exports Await Rebound

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Introduction

The combination of swelling world supplies of corn and record U.S. corn production has transformed the market landscape for corn in 2014/15 and beyond. During the past two years, U.S. corn production has rebounded from the drought-impaired levels of 2011/12 and 2012/13. At the same time, robust global corn production has swelled world stocks to historic levels, shifting the market's focus to demand contributors rather than supply constraints. And with the domestic biofuels and animal feed sectors offering limited growth opportunities, exports are being eyed as the market's salvation.

U.S. exporters do face an upward climb, however, as economic and grain market conditions are expected to prove challenging for the remainder of 2014/15. The recent strength in the value of the U.S. dollar will increase price competitive pressure for U.S. corn exports, while the top world importers of corn have already rebuilt stocks and begun to curtail their imported quantities.

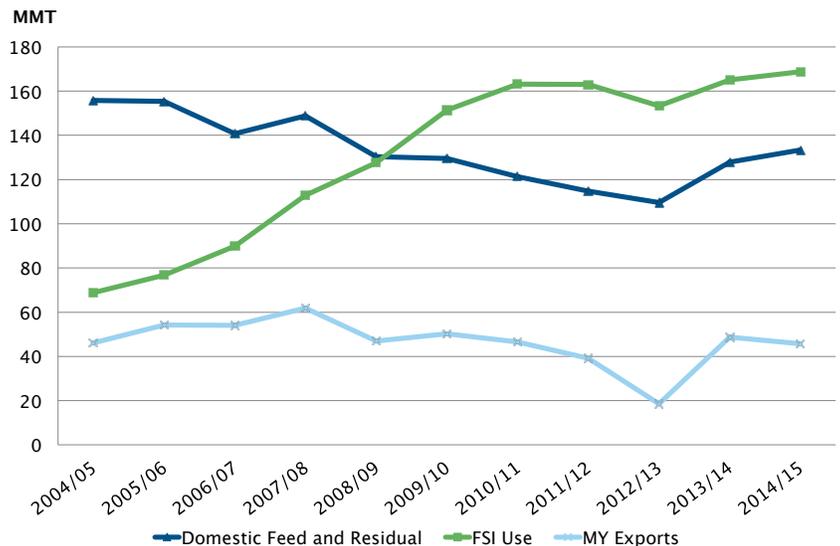
In Pursuit of Demand Growth

The U.S. corn market encompasses three major categories of buyers – food, seed, and Industrial (FSI); exports; and animal feed/residual. (See Exhibit 1.) Together, these three categories will account for 96 percent of the 2014/15 crop. Going forward, corn purchases for FSI and animal feed are expected to

grow modestly this year, but neither one is expected to be a major driver of demand growth in the near to medium term. Overseas demand is regarded as having the greatest potential for boosting overall demand in coming years.

Over the past ten years, ethanol production, a key component of the FSI category, functioned as the primary source of growth for U.S. corn. Ethanol's share of the total market expanded from 12 percent in 2004/05 to 38 percent today (30 percent when accounting for DDG displacement of corn), driven by the steady upward trend in the Renewable Fuel Standard (RFS). Last year, however,

Exhibit 1: Corn Demand Contributors



Sources: USDA, CoBank