

Impact of the Drought on Corn Exports: Paying the Price

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*Note: The views expressed during this presentation are the presenter's, and do not necessarily represent the views of the Bureau of Labor Statistics.



Highlights of Article

- Severe drought in Summer 2012
- Significant reduction of crops resulting in high export corn prices
- Impact on import/export ethanol

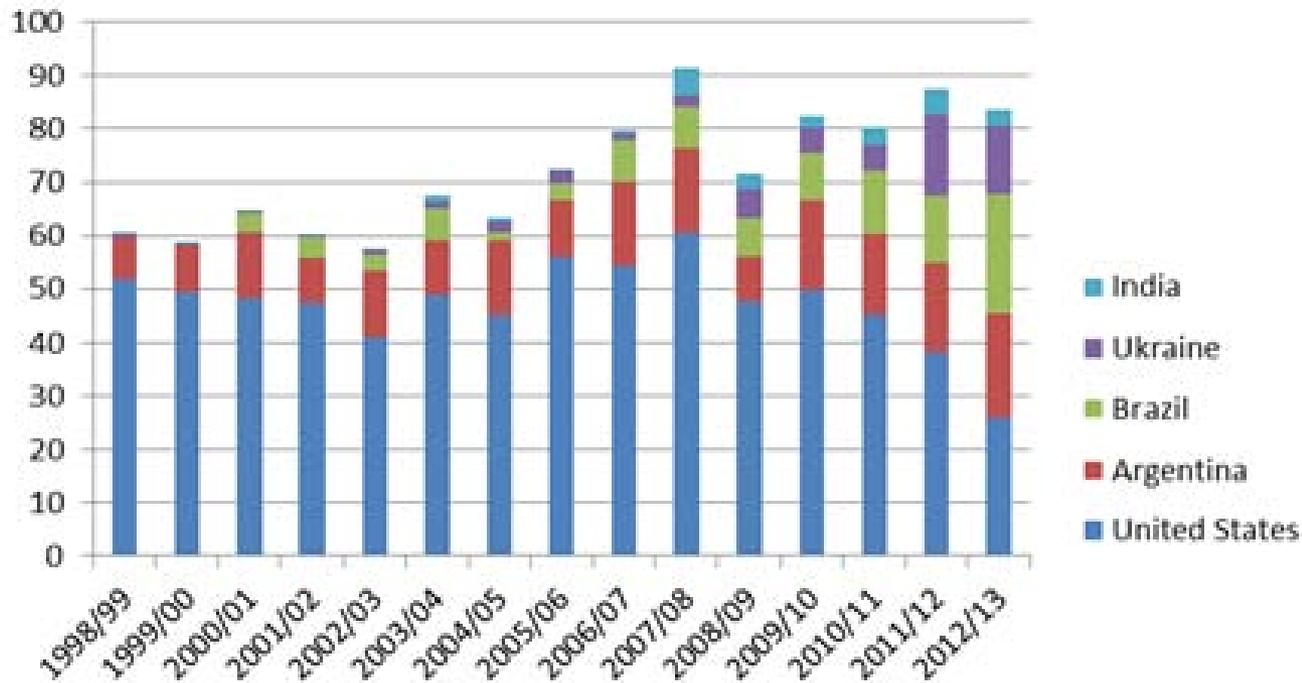
US Corn Production/Exports

- US historically largest producer, consumer, and exporter
- Production reached 13.09 billion bushels in 2009/2010
- Poor conditions resulted in smaller crop and significant drop in corn export share in 2012/2013

US and Other Major Corn Exporters

Corn exports by the United States and major U.S. competitors

Million tons



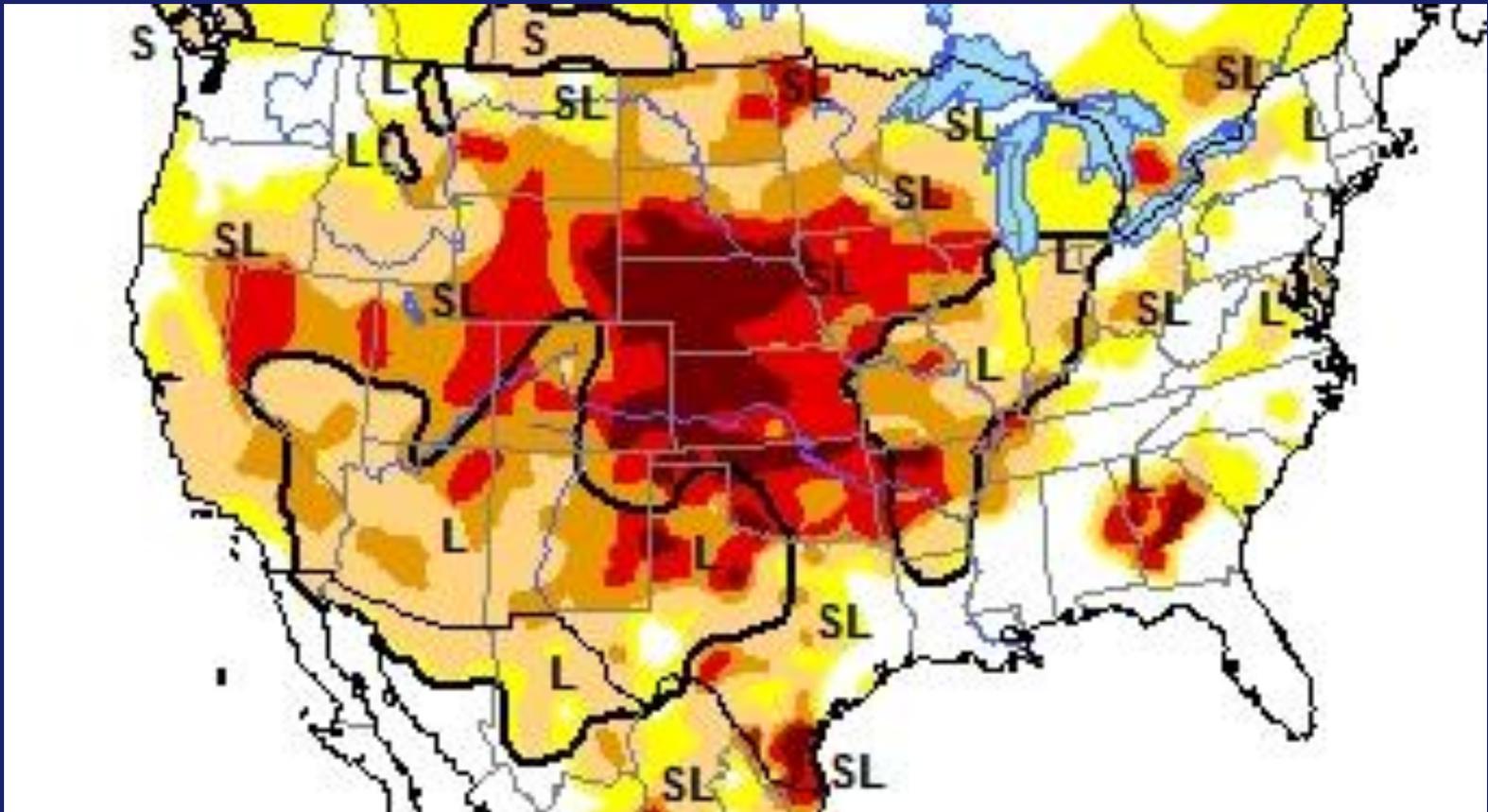
Note: September-August marketing years.

Source: USDA, Economic Research Service using data from USDA, Foreign Agricultural Service.

2012 Drought

- Most severe since 1950s; concentration of drought in US Corn Belt
- 80 percent of US agricultural land impacted
- By September 30, 2012, 25 percent of corn **acreage remained in “good” or “excellent”** condition (figure was 52 percent Sep. 2011)

2012 Drought



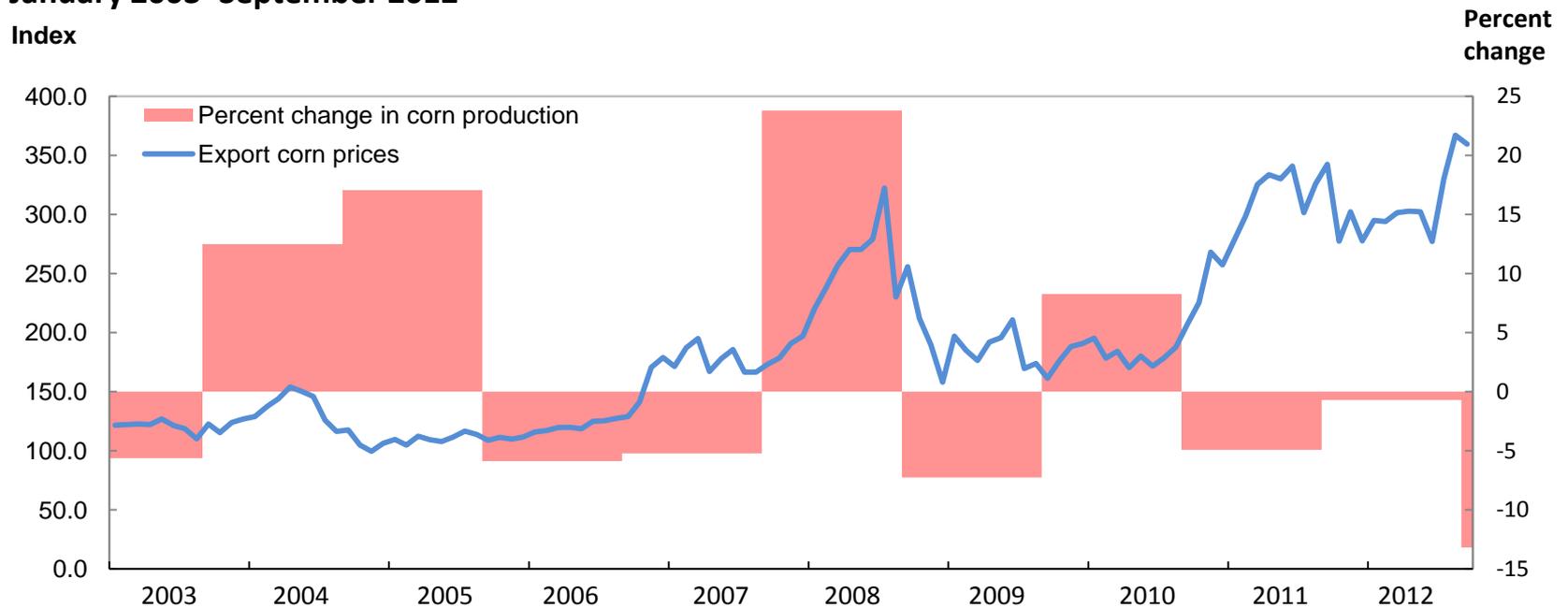
Source: North American Drought Monitor, September 30, 2012 (released October 11, 2012)
www.ncdc.noaa.gov/nadm.html

2012 Corn Production and Prices

- US production dropped from approximately 12.5 to 10.8 billion bushels in 2012/2013
- Approximately 41 percent decrease in exports from 2011/2012
- Export corn index reached 128% above 20-year historical norms in August 2012; highest since index start in 1984.

Corn Production and Price

Chart 1. Export corn price index and market-year (Sept - Aug) corn production percent changes, January 2003–September 2012



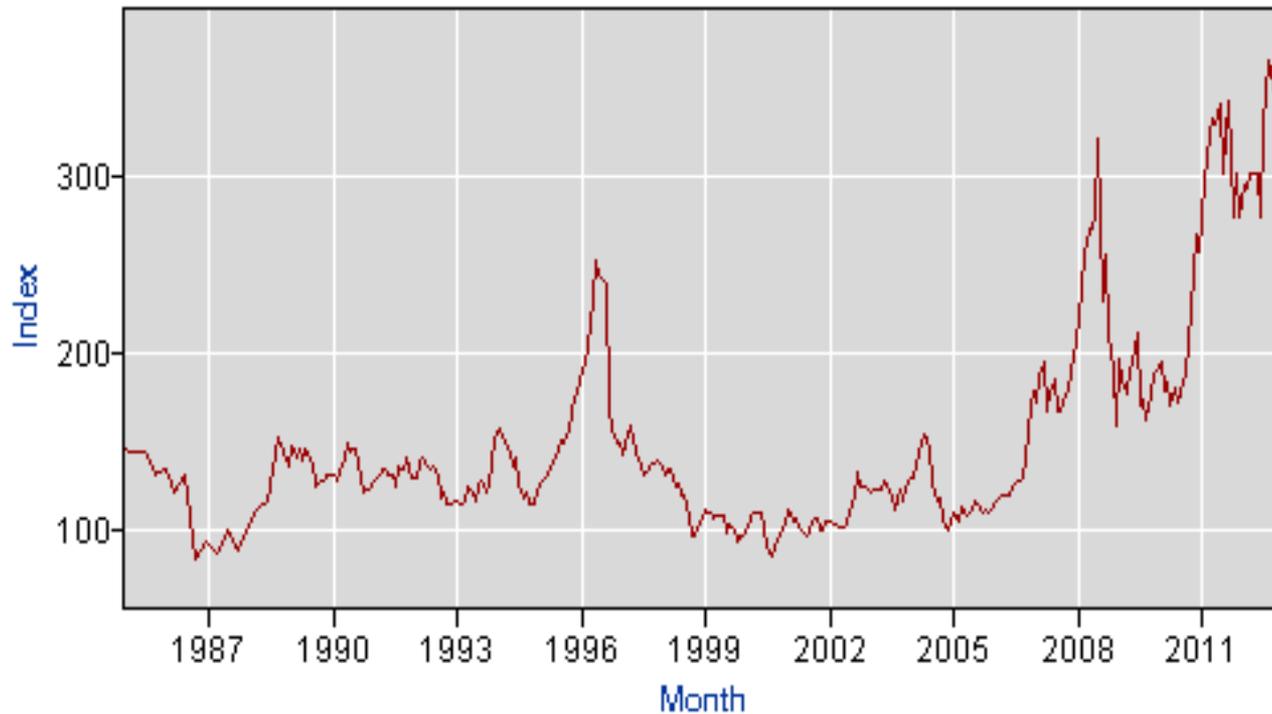
SOURCES: Corn prices, U.S. Bureau of Labor Statistics; and corn production, U.S. Department of Agriculture.

Past Droughts

- Droughts of comparable magnitude in 1988 and 1995.
- Price increases were much less in past droughts
- Recent high prices have not followed similar patterns

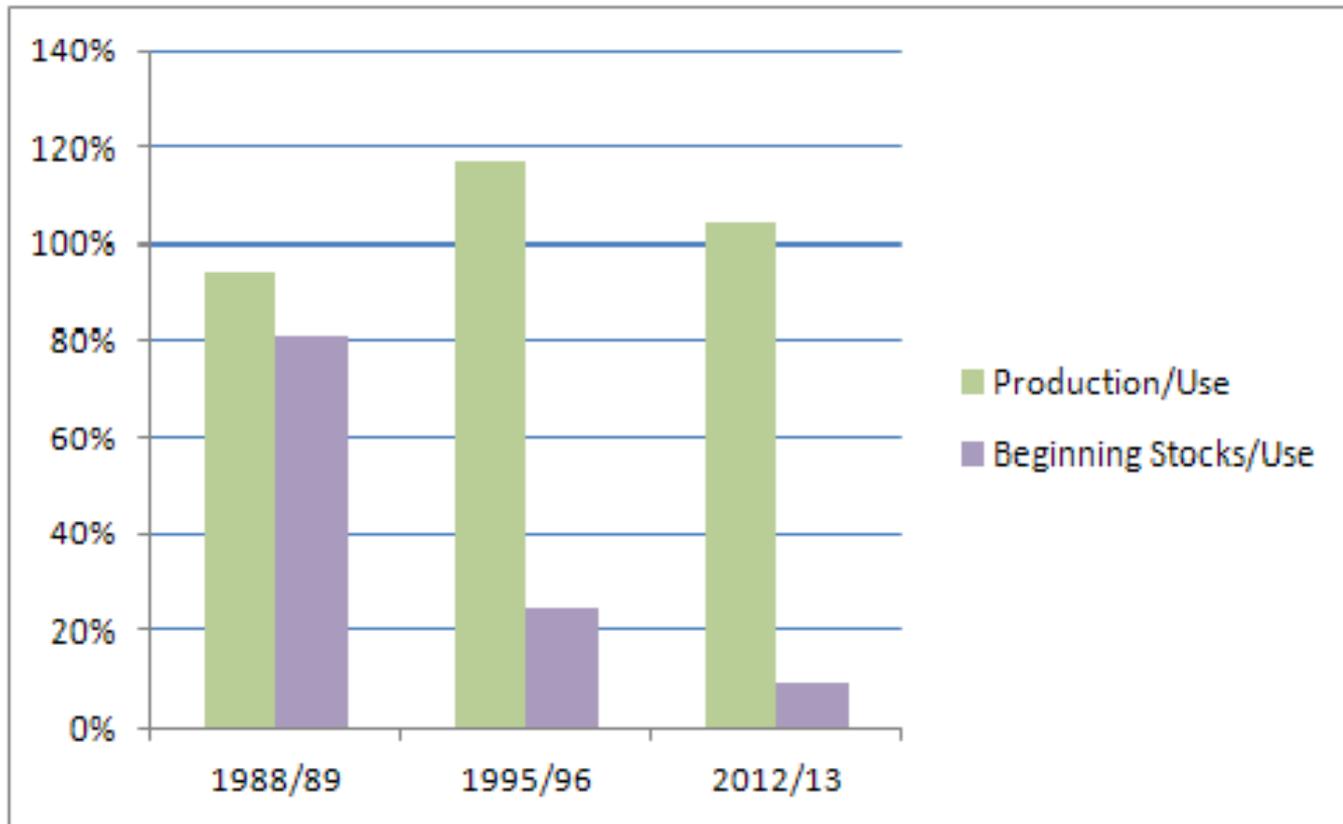
Past Droughts

IPP Export Corn, BEA End Use



Past Droughts

Recent Droughts; Corn Production, Stocks, and Use



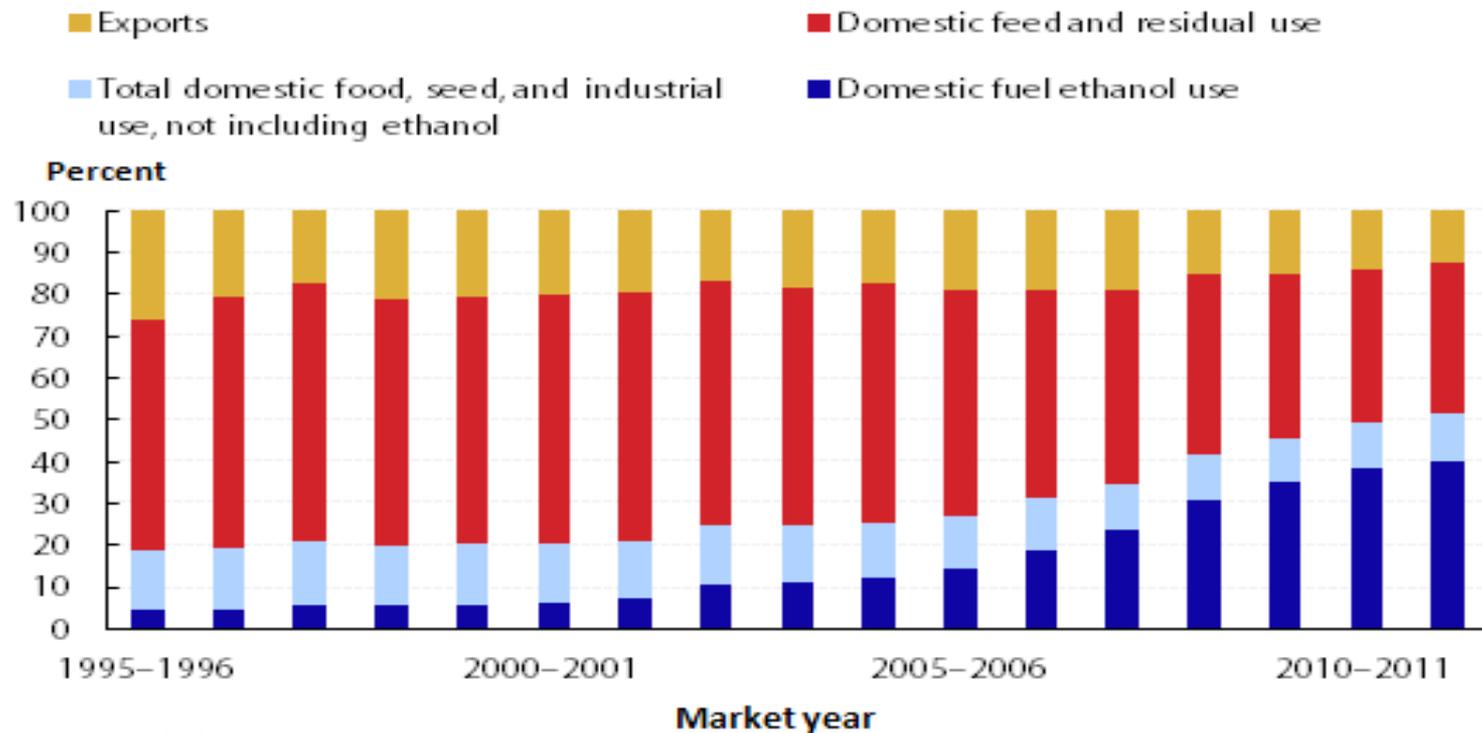
Source: USDA, Economic Research Service

Corn Ethanol

- Increase during past 20 years in corn used for ethanol production; reached nearly 40% of corn production in 2012.
- U.S. shifted from net importer to net exporter of ethanol in 2010; poor growing conditions in Brazil increased U.S. to leading global exporter in 2011.
- Approximately 38 percent decrease in ethanol exports in 2012 from previous year.

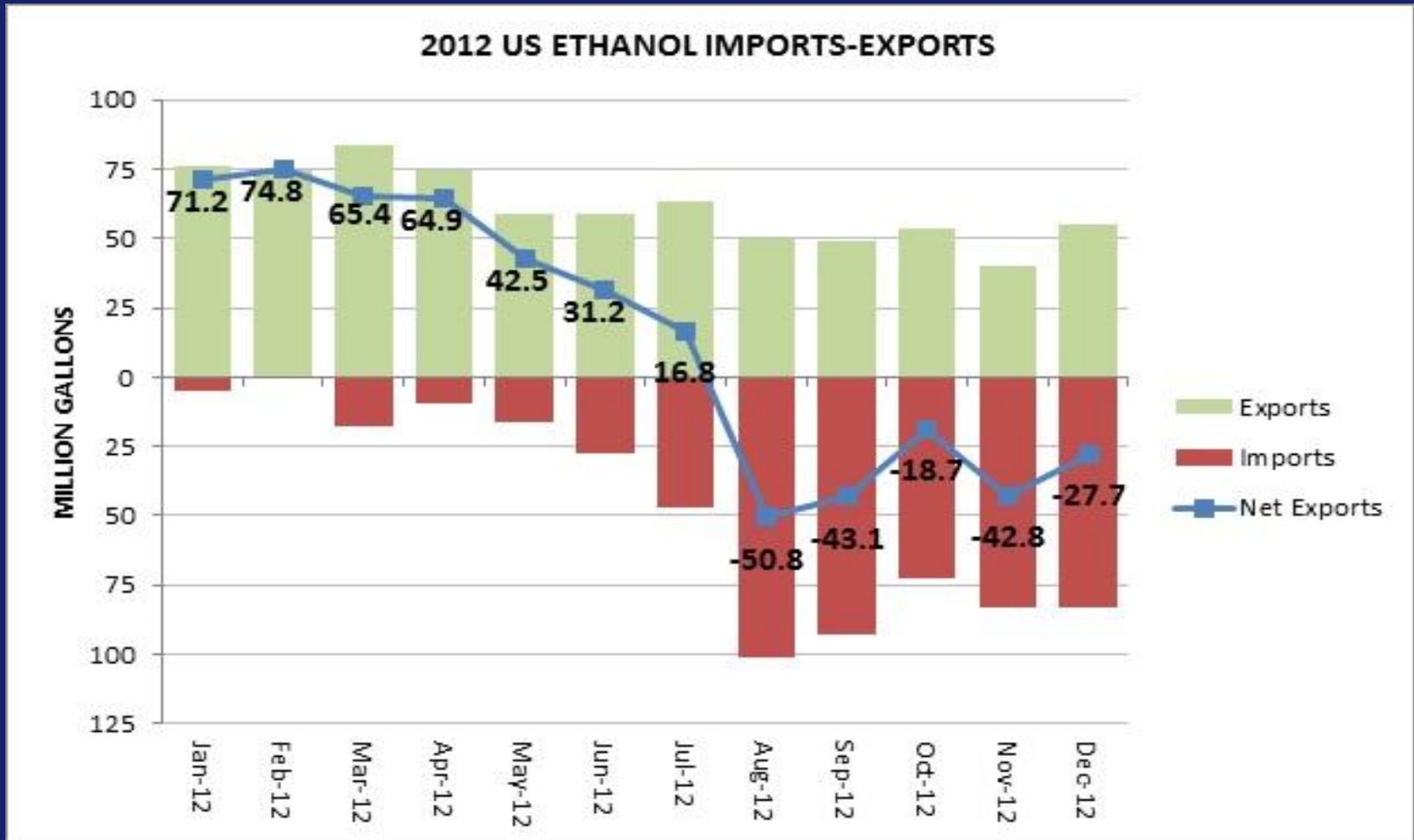
Use of Domestic Corn Production

Shares of total corn production, by use, market years (September–August) 1995–1996 through 2010–2012



SOURCE: U.S. Department of Agriculture.

Shift in Ethanol Trade



Source: Renewable Fuels Association www.ethanolrfa.org

Developments Since Article

- Corn prices decreased roughly 12.1 percent from August 2012 to January 2013; increased in February 2013.
- Higher 2012 unsold stocks than forecast (USDA), Southern hemisphere production

Developments Since Article

- Ethanol- decrease exports; increase imports:
 - ▶ 2012: imports = \$109.8 million, exports = \$50.2 million
 - ▶ Brazil re-emerged as leading global exporter 2012.
- Drought continues in many regions, but not Corn Belt

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