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


- India
- Ukraine
- Brazil
- Argentina
- United States

Note: September-August marketing years.
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

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

Past Droughts

- Price increases were much less in past droughts.
- Recent high prices have not followed similar patterns.
Past Droughts
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

- Exports
- Total domestic food, seed, and industrial use, not including ethanol
- Domestic feed and residual use
- Domestic fuel ethanol use

Market year:
- 1995–1996
- 2000–2001
- 2005–2006
- 2010–2011

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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