



GRAIN News

Global corn market review

With the U.S. corn crop expected to be short following the drought this year, global grain buyers are looking for options to help contain costs. At the same time, farmers in exporting countries around the globe are looking to take advantage of current prices by growing and shipping more corn and coarse grains to willing buyers.

Argentina is the world's second-largest corn exporter, and some farmers there are looking to plant their 2012-13 crop early in hopes of taking advantage of recent rains and the run-up in prices due to the drought in the United States.

A U.S. Grains Council consultant said corn exports for the country's marketing year are approximately

13.5 million tons. However, traders in the region are expecting the government to approve export licenses for another 1.5 million to 2.0 million tons in September. That would bring exports from the country close to the 16.0 million projected by the U.S. Department of Agriculture in its August global supply and demand report.

The consultant said Argentina corn exports are ahead of last year. About half of the country's exports go to Colombia, South Korea, Malaysia and Peru. While USDA lowered its estimate of Chinese corn imports for the year, the former director of China's State Administration of Grain said China could look to buy some of its corn needs from Argentina or other exporters as U.S. corn is priced out of the local market.

Global corn crop, 2011-12 compared to 2012-13 (projected as of August 2012); if realized it would be the second-largest global corn crop on record

	2011/12	2012/13	Change	% Change
	<i>Million Metric Tons</i>			<i>%</i>
U.S.	313.9	273.8	-40.1	-12.8%
China	192.8	200.0	7.2	3.7%
Brazil	70.0	70.0	0.0	0.0%
EU-27	64.6	61.5	-3.1	-4.8%
FSU-12	33.7	32.1	-1.6	-4.7%
SE Asia	25.2	25.6	0.4	1.6%
Argentina	21.0	28.0	7.0	33.3%
Mexico	19.0	21.5	2.5	13.2%
S. Africa	11.5	13.5	2.0	17.4%
Canada	10.7	12.8	2.1	19.6%
Rest of World	111.3	110.2	-1.1	-1.0%
TOTAL	873.7	849.0	-24.7	-2.8%

Source: USDA, August WASDE, compiled by RFA

Recap of the U.S. situation

The U.S. Department of Agriculture, in its August crop production report, estimated U.S. corn production at 10.8 billion bushels (273.8 million tons), the lowest since 2006-07, on yields of 123.4 bushels per acre (7.4 tons per hectare), the lowest since 1995-96. USDA reduced anticipated exports to 1.3 billion bushels (33.0 million tons), compared to 1.55 billion (39.4 million tons) for 2011-12 and 1.8 billion (46.6) for 2010-11.

Average prices were estimated to be \$7.50-8.90 per bushel (\$295-350 per ton), compared to \$6.25 (\$246 per ton) last year.

The next USDA report is due out September 12, 2012.

USDA estimates 2012-13 average U.S. corn prices to be in the \$7.50-8.90 per bushel (\$295-350 per ton) range.

USDA estimates China's corn production at 200 million tons for the year, although officials in the country are saying the crop may be around 197 million tons. The U.S. Grains

Council's Beijing office conducted a north China crop tour in July and found a large crop. The Council will conduct its fall China harvest tour in September to help global grain traders get a better understanding of the country's 2012-13 crop.

Corn production in and exports from the Former Soviet Union (FSU) and Ukraine were lowered this month, as were total coarse grains in the two Black Sea exporting regions, due to warm and dry conditions. Wheat exports were lowered by 4 million tons to 8 million tons in Russia but were increased by 2 million tons to 6 million tons in exports for Ukraine. Wheat's importance grows as a feed source as corn prices rise.

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Corn crop update: Nebraska

Nebraska farmer Alan Tiemann has seen a lot on his farm in the Seward, Neb., area over the years. Yet this year has certainly been one of the most challenging.

Spring started off nearly perfect with corn getting planted in mid-April. Weather stayed warm and a few spring rains got everything growing. Then hot, dry weather arrived in May and everything deteriorated.

“I’m expecting about a 60 percent crop on my non-irrigated corn acres, which for us is about 75-90 bushels per acre,” he said, which is about 4.71-5.7 tons per hectare. In addition to lower yields, this dryland corn will have a lower test weight, probably 51-52 pounds, he said.

“The stalk quality of our dryland corn is very poor and it will not stand any strong wind, so we may begin harvesting this week,” he said. “Overall we had good pollination on our corn and the earlier the planted, the better.”

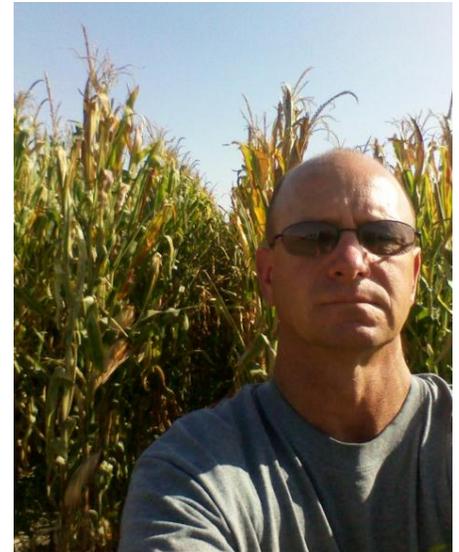
Many Nebraska farmers are fortunate to have irrigation available, as about 70 percent of the state’s corn crop is irrigated.

However, less than 14 percent of the crop is irrigated across the United States, which explains why national yield estimates have declined so dramatically in the last two months.

Tiemann said the corn crop he can irrigate looks to be normal but is maturing about three weeks ahead of schedule due to early planting and warm weather. “We have limited irrigation on our land, so normal

yields for us are in the 180-200 bushels per acre range,” he said, which equates to 11.3 to 12.6 tons per hectare.

For Nebraska as a whole, the U.S. Department of Agriculture in August estimated yields of 147 bushels per acre (9.2 tons per hectare) and total production in the state of 1.34 billion bushels (52.8 million tons). ♦



Nebraska farmer Alan Tiemann.



A portion of Alan Tiemann’s dryland (non-irrigated crop) is shown above. He expects to begin harvesting that this week. An irrigated field is below, which has healthier plants and will have more than double the yield of the dryland field.



Corn quality report to be released

With the 2012 U.S. corn crop suffering through the worst drought in decades, global buyers may have questions about the quality of the crop.

To help answer those questions, the U.S. Grains Council is again taking samples of yellow commodity corn across major corn producing states. After running samples through a battery of tests, the Council will release its **2012 U.S. Corn Quality Harvest Report**. Publication is slated for late November of this year.

Samples for the study will be collected by country elevators in participating states and will be sent to a laboratory for analysis following U.S. Department of Agriculture standards.

This will be the second national corn quality report of its kind commissioned by the Council.

The inaugural 2011 report showed that the U.S. corn crop entered the global market with a good test weight, low stress cracks and good moisture readings.

A follow-up to the 2011 harvest report, the **2011 U.S. Corn Export Cargo Quality Report**, involved testing samples of corn as it was loaded onboard ships at export terminals. This report will also be repeated for the 2012 crop.

In addition to providing an early look at grades and standards factors and moisture, the reports provide information on additional quality characteristics that have not been reported previously.

“These reports are intended to provide reliable information on U.S. corn quality for the current marketing year, based on a transparent and consistent methodology,” said U.S. Grains Council Chairman Don Fast. “They were very well received last year and we anticipate they will be of much interest to buyers again in 2012.”

Copies of the 2011 reports are available from the Council. ♦

Export Exchange 2012 coming up soon

Export Exchange 2012, organized by the U.S. Grains Council and the Renewable Fuels Association, will be held Oct. 22-24, 2012, at the Minneapolis Marriott City Center in Minneapolis, Minn.



Export Exchange is an international trade conference focused on the export of U.S. coarse grains and co-products, including distiller's dried grains with solubles (DDGS) and corn gluten. The conference brings together international buyers and end-users of DDGS and coarse grains with U.S. producers and agribusinesses.

“Export Exchange 2010 was a huge success,” said Wendell Shauman, past chairman of the U.S. Grains Council. “People from around the world gathered in one central location to make deals and get information regarding these vital commodities. Business contacts made during the conference are still being used today.”

In 2012, more than 500 buyers and sellers of U.S. coarse grains and co-products are expected to attend.

Additional information regarding Export Exchange 2012 will be posted at www.exportexchange.org as it develops.

Those interested can also contact their local Council office or email Council membership manager Lyndsey Erb-Sharkey at lerbsharkey@grains.org. ♦

Global market: Review of corn situation *From page 1*

As for corn, Ukraine's exports were lowered 1.5 million tons to 12.5 million, while FSU exports were lowered 1.5 million tons to 14.4 million.

Bill Tierney, chief economist with Chicago-based AgResource Co., told Reuters news service that buyers will not be taken by surprise should Russia and Ukraine move to curtail exports as they did in 2010. While governments of both countries have moved to assure buyers there will be no export ban – or de facto ban – the concern still exists. Some traders said they expect exports in the region to end late this year.

Russia enters the World Trade Organization this week, but analysts said that would not prevent the country from imposing quotes, taxes or embargoes to protect its own supply.

“Whether Ukraine or Russia moves to halt or slow exports remains to be seen. Certainly buyers are leery, which makes an important point that it is difficult to rebuild trust and reliability once you shut the door,” said Cary Sifferath, who operates the U.S. Grains Council's office in Tunis, Tunisia.

Other grain producers of interest

- ❖ USDA estimated Brazil's corn exports at 14.0 million tons for 2012-13, on par with last year.
- ❖ South Africa lowered its corn production forecast marginally to 10.8 million tons. This may tighten the country's balance sheet for 2012-13. The country has exported more than 290,000 tons of white corn to Mexico this year.
- ❖ Dry conditions are impacting crops in several regions of India and will likely reduce production figures. USDA, however, anticipates the country will still export wheat, rice, cotton and soybean meal this year. ♦

Drought slowing traffic on Mississippi River

Barge traffic along an 11-mile stretch of the Mississippi River shut down for more than a day this week as low water levels grounded barges. The river is a key grain transportation waterway in the United States, moving grain from the Midwest to Gulf of Mexico ports.

More than a dozen dredges have been put to use deepening channels to facilitate barge traffic. Navigation buoys are also being reset to mark deeper water channels.

The river is estimated to be 12 feet lower than normal for this time of year. Unless rainfall is received, water levels are expected to continue falling, with low-water records possible in some key locations.

Already barges are only being filled to 75 percent of capacity in order to lighten their load and help avoid running aground. In other words, it takes four light barges to haul the load of three normally-filled barges.

These factors, combined with continued slow river traffic and occasional river shutdowns, are increasing costs.

With harvest in the United States approaching, the ability to quickly move grain to Gulf terminals is a concern.

David Weintraub, director of external communications for Archer Daniels Midland, told Agri-Pulse his company is continuing to monitor the situation, and that it is making preparations for alternate transportation methods if barge traffic is further impacted by the drought. ♦