U.S. GRAINS COUNCIL

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COMMENTARY ON OCTOBER 2012 WASDE

On Oct. 11, 2012, the U.S. Department of Agriculture published its October World Agricultural Supply and Demand Estimate (WASDE), indicating the U.S. corn crop outlook has settled down somewhat, making only marginal changes in the September and October reports. Yields were lowered each month by 0.8 bushels per acre. In October harvested acres rose slightly to 87.7 million acres (up 0.3 million acres). The corn harvest is in progress, with 69 percent completed last week compared to the average of 28 percent by that date.

As growing conditions were indicative of higher mycotoxin risk, farmers and country elevators are testing aggressively, and segregating loads of corn with positive aflatoxin levels into appropriate local feed channels.

The October WASDE report projected U.S. corn production down 42.0 million metric tons or 13 percent compared to last year and if realized, the eighth-largest U.S. crop in history.

US Corn Supply/Demand						
	2010/11	**2011/12**	**2012/13**		**2011 v.2012**	
Beginning stocks	43.4	28.7	25.1		-3.6	-13%
Production	316.2	313.9	271.9		-42.0	-13%
Imports	0.7	0.6	1.9		1.3	218%
Supply	360.2	343.2	298.9		-44.3	-13%
Feed/Residual	121.7	111.8	105.4		-6.4	-6%
FSI	163.3	162.3	148.6		-13.7	-8%
Ethanol	127.5	127	114.3		-12.7	-10%
Total Domestic Use	285	274.1	254.0		-20.1	-7%
Exports	46.6	39.1	29.2		-9.9	-25%
Total Disappearance	331.6	313.2	283.2		-30.0	-10%
Ending Stocks	28.7	30	15.7		-14.3	-48%

U.S. corn imports will be three times the level of 2011/12 (1.9 million tons in 2012/13 compared with 0.6 million tons in 2011/12).

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All areas of corn disappearance will be cut back by the higher prices in the market:

Feed and residual use	down 6.4 mmt or 6%
Ethanol use	down 12.7 mmt or 10%
Exports	down 9.9 mmt or 25% are reduced by the combination of high prices and strong competition from Ukraine, Argentina and Brazil.

Ending stocks at 15.7 million tons are down 48 percent compared with 2011/12. This equates to a razor thin 5.5 percent stocks to use ratio—a full percentage point lower than August. While the ratio is dramatically lower, it still remains above the 5.0 percent ratio of 1996.

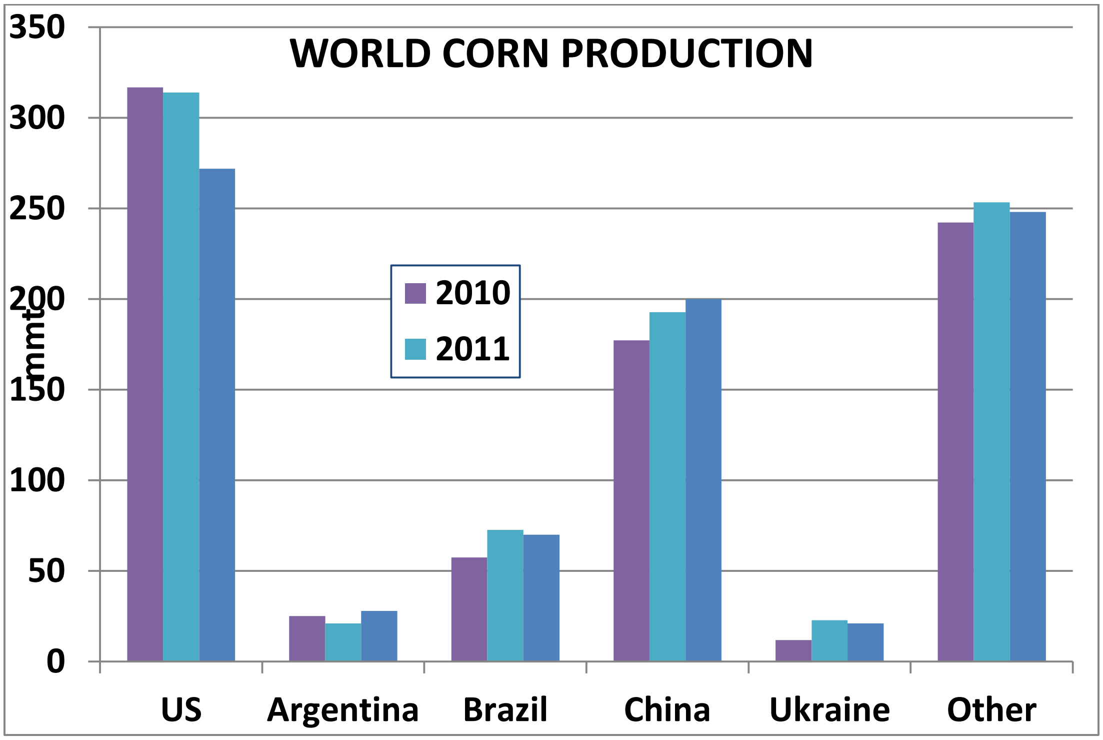
According to USDA, world corn production of 839 million tons will be the second highest on record, down by 37 million tons from 2011/12 but up 8.2 million tons from 2010. The 44.8 million ton decline in U.S. corn production over the past three years is mostly offset by production growth in Ukraine, Argentina and Brazil. Global stocks to use fell to 13.7 percent, its lowest level in nearly 15 years.

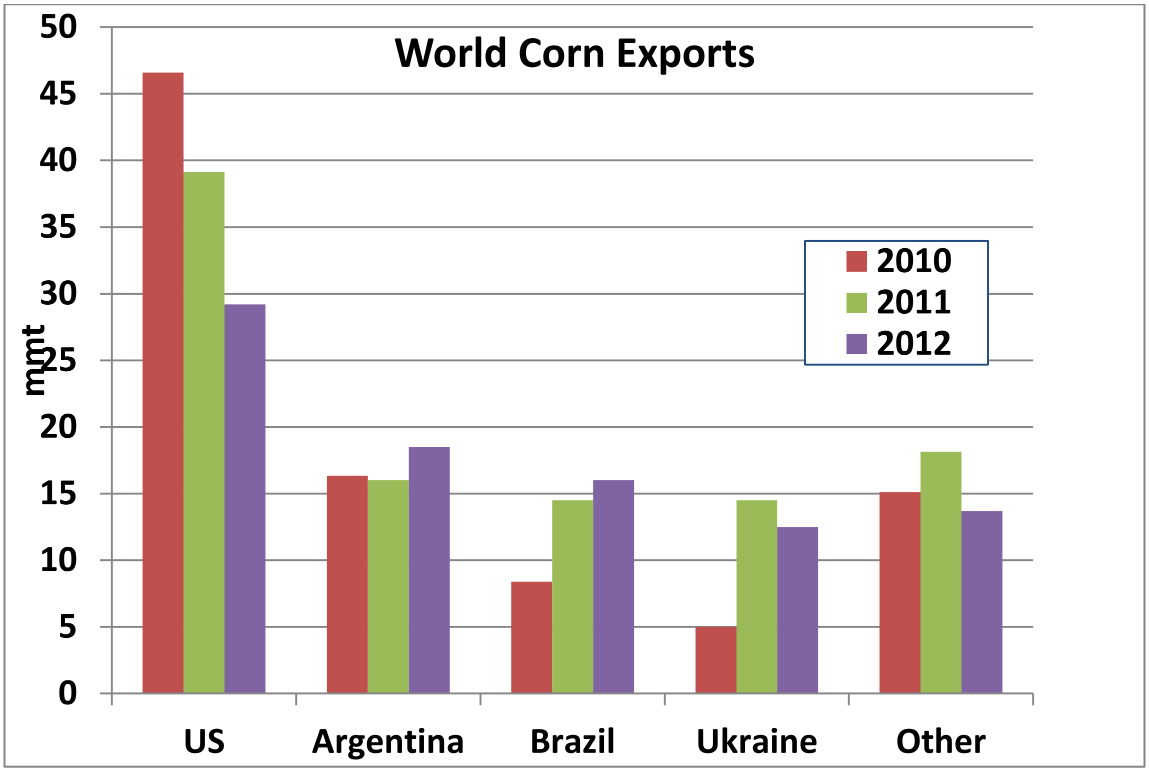
U.S. corn exports and export market share have declined over the past several years due to reduced U.S. supplies, high prices that encourage global production, and increased competition in export markets. World corn trade in 2012/13 is expected to retreat from 2011/12 level of 102.3 million tons to 89.9 million tons (slightly below the 2010/11 trade). U.S. exports will have fallen 17.4 million tons in two years while exports from Argentina, Brazil and Ukraine will be have increased over the two year period by 17.2 million tons.

Corn Production	2010	2011	2012		2012 v. 2010
World	830.8	876.7	839.0		8.3
US	316.8	313.9	271.9		-44.8
Argentina	25.2	21.0	28.0		2.8
Brazil	57.4	72.7	70.0		12.6
China	177.3	192.8	200.0		22.8
Ukraine	11.9	22.8	21.0		9.1
Other	242.2	253.4	248.1		5.8
Subtotal	514.0	562.8	567.1		53.1

Corn Exports	2010	2011	2012		2012 v. 2010
World	91.5	102.3	89.9		-1.5
US	46.6	39.1	29.2		-17.4
Argentina	16.4	16.0	18.5		2.2
Brazil	8.4	14.5	16.0		7.6
Ukraine	5.0	14.5	12.5		7.5
Other	15.1	18.2	13.7		-1.4

Subtotal	44.9	63.2	60.7		15.8




World Corn Exports
mmt
50
45
40
35
30
25
20
15
10
5
0
2010
2011
2012
US
Argentina
Brazil
Ukraine
Other