



## Corn Consumption Continues to Exceed Projections

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The [USDA's WASDE report released on April 9](#) projected corn stocks at the end of the current marketing year at 1.331 billion bushels. The projection of year ending stocks has declined for five consecutive months and is now 556 million bushels smaller than the November 2013 projection. Compared to consumption projections made in November, current projections are 100 million bushels larger for corn used for ethanol production, 350 million bushels larger for exports, and 100 million bushels larger for feed and residual use. There have been minor changes in the estimate of stocks at the beginning of the marketing year, the projection of imports, and the projection of other domestic consumption.

With about 4.5 months left in the marketing year, there is opportunity for the consumption projections to change again. In the case of ethanol use of corn, the USDA projects consumption during the current marketing year at 5.0 billion bushels. That projection is 352 million bushels, or 7.6 percent, larger than consumption in the previous year and equal to consumption in the 2011-12 marketing year. The reasons for the decline in use last year were outlined in a previous newsletter ([farmdoc daily, November 11, 2013](#)). Based on monthly U.S. Energy Information Agency estimates of ethanol production for September 2013 through January 2014 and weekly estimates for February and March, ethanol production in the first seven months of the marketing year was 11.7 percent larger than production during the same period last year. That comparison is a little misleading since year-over-year production was down sharply in the first half of the 2012-13 marketing year and near the previous year's level in the last half. Still, to reach the USDA projection of corn used for ethanol production this year, ethanol production during the last five months of the corn marketing year needs to be only two percent larger than production in the same period last year. With a slight increase in domestic ethanol consumption, an improvement in domestic rail logistics, and a continued positive trade balance, it appears that ethanol production (and therefore corn consumption) could exceed the current projection.

Corn exports during the current marketing year are projected at 1.75 billion bushels. The USDA reported cumulative export inspections through the first 31.7 weeks of the year at 991 million bushels. Official Census Bureau estimates of exports through the first six months of the year exceeded export inspection estimates by 28 million bushels. If that margin has persisted, exports during the remaining 20.4 weeks of the year will need to total 731 million bushels in order to reach the USDA projection for the year, an average of 35.8 million bushels per week. Exports have averaged 32.1 million bushels per week so far this year and

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inspections averaged 46.2 million bushels per week for the seven weeks ended April 10. As of April 3, the USDA reported that 707 million bushels of corn had been sold for export, but not yet shipped. Those sales represent almost 97 percent of the exports needed to reach the USDA projection. While some sales may be canceled or rolled to next year, it appears there is room for exports to exceed even the most recent USDA projection.

As usual, the most uncertainty about corn consumption centers on the feed and residual category. Uncertainty is fostered by a number of factors. First, there is no on-going measurement of corn used in the feed and residual category. Implied use is revealed quarterly based on the USDA's quarterly *Grain Stocks* report. Second, feed use of corn is influenced by the rate of feeding of other feed ingredients and the use of many of those ingredients is also not measured. Third, there is not a strong correlation between the number of grain consuming animal units estimated by the USDA and the magnitude of feed and residual use, which implies a varying level of residual use from year to year. In general, residual use appears to be positively correlated to crop size. For the current year, the USDA projects feed and residual use of corn at a six year high of 5.3 billion bushels, 22.3 percent larger than use of last year. Some have questioned how use can actually increase by over 20 percent year-over-year. However, estimated use last year was at a 24 year low and likely reflected an abnormally small residual use associated with the very small crop of 2012. The large crop of 2013 would point to much larger residual use this year. In addition, there will likely be considerably less wheat fed this summer than was fed last summer. Most importantly, implied feed and residual use during the first half of the current marketing year was at a six year high and exceeded that of a year ago by nearly 22 percent. The June 1 corn stocks estimate to be released on June 30 will reveal the level of consumption during the third quarter of the year. For now, the USDA projection of 5.3 billion bushels appears attainable.

Based on current and expected consumption rates, it appears that corn consumption during the current marketing year could exceed the most recent USDA projection. Even if higher rates are confirmed over the next four months, the magnitude of year ending stocks will remain a mystery until the September 1 *Grain Stocks* report is released on September 30. The magnitude of those stocks will take on a little more importance due to the projected decline in corn acreage this year and what appears will be a slow start to the planting season.

## References

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