



Weekly Outlook: Corn Consumption and Acreage

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The USDA's March 1 *Grain Stocks* report released on March 31 provides an opportunity to assess the progress of corn consumption during the current marketing year and to re-evaluate prospects for the magnitude of year-ending stocks. In addition, the *Prospective Plantings* report, also released on March 31, provides an opportunity to evaluate the potential size of the 2016 corn crop.

March 1 corn stocks were estimated at 7.808 billion bushels. The stocks estimate allows for a calculation of feed and residual use of corn during the second quarter of the 2015-16 marketing year. Total disappearance during the quarter was 3.45 billion bushels. Exports during the quarter are estimated at 334 million bushels, although the Census export estimate for February 2016 to be released on April 5 will allow for a more accurate estimate for the quarter. Corn used for ethanol and co-product production during the quarter totaled 1.313 billion bushels. Corn processed domestically for other food and industrial products was likely near 335 million bushels.

The remaining disappearance, estimated at 1.468 billion bushels, is allocated to the feed and residual category. Feed and residual use during the first half of the marketing year is estimated at 3.641 billion bushels. Use during the first half of the 2015-16 marketing year represents 68.7 percent of the current USDA projection of 5.3 billion bushels to be used during the entire year. Use during the first half of the year last year accounted for 68.9 percent of the marketing year total. It appears feed and residual use this year is on target to reach the projection of 5.3 billion bushels.

The USDA currently projects 2015-16 marketing year corn exports at 1.65 billion bushels. The pace of shipments was very slow during the first half of the marketing year, averaging only 25 million bushels per week. With 22 weeks left in the year, corn exports need to now average about 38.6 million bushels per week to reach the projected level for the year. Weekly inspections averaged 40.1 million bushels per week for the three weeks ended March 31. With the accelerated pace of shipments and current unshipped sales of 504 million bushels, exports should reach the projected level.

The USDA projects 2015-16 marketing year use of corn for ethanol and co-products at 5.225 billion bushels, 0.5 percent more than used last year. Estimates provided by the USDA's *Grain Crushings and Co-Products Production* report indicate that 2.614 billion bushels were used for that purpose during the first

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half of the marketing year, 1.7 percent more than during the same period last year. In addition, sorghum used for ethanol production during the first half of the year exceeded that of a year ago by about 50 million bushels. Ethanol production in March 2016 exceeded that of a year ago by nearly 4.5 percent. With domestic gasoline consumption continuing well above the level of a year ago and with ethanol exports remaining strong, it appears that ethanol production and corn use could exceed the current USDA projection. Even with increased use of sorghum, it appears that corn used for ethanol and co-product production could reach or exceed 5.25 billion bushels. Year ending stocks of corn might be 25 million bushels less than the current USDA projection of 1.837 billion bushels.

Corn producers reported intentions to plant 93.6 million acres of corn this year, 5.6 million more than planted last year. Increased corn (and cotton) acreage is planned at the expense of wheat and oilseeds. The surprising acreage intentions resulted in continued adjustment in corn, soybean, and spring wheat prices following the release of the report. From February 22, when the USDA initiated the month long acreage survey process, through April 1, December 2016 corn futures declined by \$0.21, November 2016 soybean futures increased by \$0.41, and July 2016 spring wheat futures increased by \$0.32. The changing price relationships suggest that some producers may plant less corn acreage and more acreage of other crops than reported in March. After all, one of the main objectives of the acreage survey is to provide producers with information to re-evaluate their plans.

In addition to the allocation of acreage to individual crops, the magnitude of total planted acreage in 2016 is still in question. The USDA estimates that acreage planted to principal crops in 2016 will total 317.3 million acres, 1.2 million less than planted last year and 9.1 million less than planted in 2014. (Intentions for proso millet, rye, tobacco, and summer and fall potatoes for 2016 are not surveyed in March and are assumed to be at last year's level of 3.97 million acres). The planned reduction in total planted acreage from that of a year ago is somewhat of a surprise since 6.7 million acres were reported as prevent plant in 2015. It would not be a complete surprise if total planted acreage exceeded March intentions.

With the continued uncertainty about the magnitude of total planted acreage and the mix of crops, expectations for corn acreage and production will remain in a wide range. For example, planted acreage of 93.6 million acres, harvested acreage of 86 million acres, and an average yield near the USDA's calculated trend of 168 bushels would result in a crop of 14.448 billion bushels and 2016-17 marketing year ending stocks near 2.4 billion bushels. Alternatively, planted acreage of 92 million, harvested acreage of 84.4 million, and a yield of 162 bushels resulting from stressful summer weather as the current El Niño episode fades would result in a crop of only 13.689 billion bushels and 2016-17 marketing year ending stocks near 1.7 billion bushels.

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