



Weekly Outlook: Monitoring the Pace of Corn and Soybean Consumption

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March 2016 corn futures have traded in a range of about \$0.25 over the past two months, while March soybean futures have traded in a range of about \$0.40 as the markets react to new information or changed expectations about the supply and demand balance. The overall price trend, however, has been generally sideways since late last fall.

The sideways price pattern reflects on-going expectations of adequate supplies of both crops to meet consumption needs during the current marketing year, but the pace of consumption is continually monitored to determine if those expectations should be altered. For corn, the pace of consumption can be monitored on a weekly basis for exports and ethanol production. The pace of feed and residual use is revealed on a quarterly basis with the release of the USDA Grain Stocks reports. For soybeans, the pace of consumption can be monitored on a weekly basis for exports and on a monthly basis for the domestic crush.

The USDA now projects 2015-16 marketing year corn exports at 1.65 billion bushels. With about 28 weeks left in the marketing year, the USDA reports cumulative export inspections at 552 million bushels. During the first four months of the year, Census Bureau export estimates exceeded inspections by 32 million bushels. If that margin has persisted, exports have reached about 584 million bushels. That reflects an average weekly pace of 23.9 million bushels. To reach 1.65 billion bushels for the year, exports during the remainder of the year need to total 1.066 billion bushels, or an average of 38.3 million bushels per week. Export inspections were at a marketing year of 35.4 million bushels for the most recent reporting week ended February 18. As of February 11, the USDA reported that 492 million bushels of corn had been sold for export, but not yet shipped. An average of about 20 million bushels of new sales will be required weekly for sales to reach 1.65 billion bushels. New sales for the five weeks ended February 11 averaged 35.9 million bushels per week. The recent pace of new sales is encouraging. The jump in the pace of inspections for the most recent week will have to be maintained if exports are to reach the projection for the year.

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Corn used for production of ethanol and co-products during the current year is projected at 5.225 billion bushels, 16 million more than consumed last year. In addition, sorghum use for ethanol production is expected to be up about 75 million bushels year-over-year. Total feedstock use, then, is expected to be up about 1.7 percent. Ethanol production during the first 5.5 months of the marketing year was about 2.4 percent larger than during the same period last year, but that margin has narrowed in recent weeks. Corn used for ethanol production during the last half of the year will be influenced by the magnitude of domestic gasoline consumption, ethanol exports, and sorghum use. Corn use for the year will likely be reasonably close to the USDA projection.

The USDA now projects 2015-16 marketing year soybean exports at 1.69 billion bushels. With about 28 weeks left in the marketing year, the USDA reports cumulative export inspections at 1.374 billion bushels. During the first four months of the year, Census Bureau export estimates exceeded inspections by 19 million bushels. If that margin has persisted, exports have reached about 1.393 billion bushels. That reflects an average weekly pace of 57 million bushels. To reach 1.69 billion bushels for the year, exports during the remainder of the year need to total only 297 million bushels, or an average of 10.7 million bushels per week. As of February 11, the USDA reported that 234 million bushels of soybeans had been sold for export, but not yet shipped. An average of only about 2.2 million bushels of new sales will be required weekly for sales to reach 1.69 billion bushels. While export sales can be cancelled or carried to the following year, it appears that soybean exports will reach or slightly exceed the current USDA projection.

The domestic soybean crush during the current marketing year is projected at 1.88 billion bushels, only seven million more than crushed last year. The crush in September 2015 was much larger than in September 2014 when soybeans were in limited supply. For the period October 2015 through January 2016, however, the crush was smaller than that of a year ago so that the cumulative crush during the first five months of the year was about equal that of a year ago. Based on crush estimates from the National Oilseed Processors Association (NOPA), the shortfall in the crush relative to that of last year was increasingly larger each month from November 2015 through January 2016. That pattern does hint that the domestic crush may fall short of the current USDA projection.

Taken together, the current pace of corn and soybean exports and domestic processing do not alter expectations for ample year ending stocks of both crops, supporting the continuation of a sideways price pattern. The USDA's estimate of March 1 corn stocks, to be released on March 31, will reveal the pace of feed and residual use of corn during the second quarter of the marketing year and provide for an assessment of consumption for the remainder of the year. In addition, the results of the USDA's survey of corn and soybean producer planting intentions for 2016 will be released on the same day. That information may provide more insight on how long the sideways price pattern will persist.