



## Weekly Outlook: Corn Consumption Update

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Since early October, March 2017 corn futures prices fluctuated in a price range between \$3.40 and \$3.70. The USDA's [WASDE](#) report released on January 12 presented a mixed signal on corn consumption forecasts with a reduction of 50 million bushels in feed and residual use and an increase in corn used for ethanol by 25 million bushels for the 2016-17 marketing year. The export forecast remained unchanged. Corn prices reflected this information with a moderate response to the 78 million bushel reduction in production reflected in the [Crop Production](#) report released on the same day. The current pace of corn consumption indicates corn prices may stay in the price range from \$3.40 - \$3.70 for the next several weeks.

Thus far in the marketing year, corn exports exhibited considerable strength. Exports through the first quarter of the marketing year came in at 551 million bushels. Accumulated exports through January 19 are 744.5 million bushels. This is a 68 percent increase over the same period last year. Outstanding sales for this marketing year through January 19 are 793.4 million bushels. Total commitments currently sit at 69 percent of the USDA projection of 2.225 billion bushels. Export shipments and outstanding sales increased during the last three weeks. The developing issues with trade policy create uncertainty over the future trajectory of corn exports. At the current pace, the USDA forecast looks attainable despite significant competition due to emerge from South American corn production.

The pace of ethanol production in the 2016-17 marketing year is at record levels. Ethanol production averaged over 1 million barrels per day throughout December and thus far in January. Over the last two weeks, ethanol stocks grew by 1.719 million barrels. The growth in ethanol stocks may be giving an indication of a slowdown in ethanol production as the margins for ethanol deteriorate. Corn consumption to produce ethanol used 1.3 billion bushels in the first quarter of the marketing year. Based on ethanol production since November, corn consumption for ethanol as of January 20 is approximately 2.1 billion bushels. The current record pace of ethanol production may not last, but the 5.325 billion bushels of corn for ethanol production appears attainable for the marketing year.

The pace of corn consumption for feed likely increased from a year ago. The increase in feed consumption is more modest than initial USDA forecasts and, thus, the 50 million bushel reduction on January 12. Livestock production increases in many sectors provide support for increased corn feed use during this marketing year. The number of [cattle on feed](#) on January 1, 2017 was slightly larger than last year at 10.61 million head. Placements into feedlots during December 2016 were 17.6% larger than last year at 1.79

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million head. The number of milk cows on farms in December was 38,000 head larger than last year. Year over year growth was .2 percent. The USDA's *Quarterly Hogs and Pigs* report indicated that the inventory of market hogs on December 1, 2016 was 3.7 percent higher than last year. Market hogs across weight groups less than 180 pounds were all greater than 4 percent larger than the previous year. The number of broiler eggs set continuously exceeds the pace of a year earlier by one to two percent every week. Broiler type chicks placed each week is also running around two percent above last year's pace.

Despite strong livestock production, a number of factors could be limiting corn feed use. The increase in ethanol production created an increase in distiller's grain production. When combined with a 4 percent decline in distiller's grain exports in the first quarter of the marketing year, the availability of distiller's grains is apparent. Distiller's grain prices declined in central Illinois to an average price in December of \$104.84 per ton. This is down over 30 cents from the 2015-16 marketing year average price. Sorghum feed and residual use increased by 15 million bushels in the January 12 report giving an indication of increased feeding of sorghum in many areas. Higher corn prices and lower production levels also contribute to the potential for corn feed use coming in lower than current USDA projections.

Currently, the pace of corn consumption appears to be large enough to maintain old crop corn prices in the \$3.40 to \$3.70 price band for the next several weeks barring some economic or policy disturbance. There are no indications currently for higher price movements. A possibility of weakness in corn consumption related to corn used for ethanol production may be forming as ethanol stocks begin to build. A large upward price movement requires a substantial increase in the pace of shipments to export markets, which possesses significant uncertainty concerning our major trading partners, or the emergence of production issues in South America.

## References

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