



Weekly Outlook: Corn Prices Unlikely to Find Support from September 1 Stocks Report

Todd Hubbs

Department of Agricultural and Consumer Economics
University of Illinois

September 25, 2017

farmdoc daily (7):175

Recommended citation format: Hubbs, T. "Weekly Outlook: Corn Prices Unlikely to Find Support from September 1 Stocks Report." *farmdoc daily* (7):175, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, September 25, 2017.

Permalink: <http://farmdocdaily.illinois.edu/2017/09/corn-prices-unlikely-find-support-sep-stocks-report.html>

Corn prices continue to reflect the presence of a large old crop ending stock and higher than expected corn production. The USDA will release the Quarterly *Grain Stocks* report on September 29. The report will provide an indication of corn use during the fourth quarter of the 2016-17 marketing year. Corn prices are unlikely to find any support with the release of the report on Friday.

An estimate of corn exports for the fourth quarter is based on the cumulative weekly export inspections estimate available for the entire quarter. Cumulative marketing year export inspections through August totaled approximately 2,240 million bushels. During the first eleven months of the marketing year, total Census Bureau corn exports were greater than cumulative export inspections by 49 million bushels. Assuming the margin is maintained through August, corn exports through the marketing year equaled 2,290 million bushels. Since exports in the first three-quarters of the marketing year totaled 1,771 million bushels, the estimate for third quarter corn exports equals 519 million bushels.

The *Grain Crushing and Co-Products Production* report released on September 1 estimated corn used for ethanol and co-product production during June and July of 2017 at 889 million bushels. Weekly estimates of ethanol production provided by the Energy Information Administration indicates ethanol production increased by 2.7 percent in August 2017 from the preceding year. By calculating the amount of corn used to produce ethanol from these August numbers, corn used for ethanol production in August was approximately 470 million bushels. Total use for the quarter is estimated at 1,360 million bushels.

Corn used to produce other food and industrial products during the 2016-17 marketing year is estimated at 1,435 million bushels by the USDA. Using historical corn use data, typically around 25 percent of the final marketing year food and industrial products use occurs in the last quarter of the marketing year. If this historical pattern holds and the USDA projection is correct, corn use for the fourth quarter of the marketing year totaled 359 million bushels.

The current USDA projection for feed and residual use sits at 5,425 million bushels. The projection for feed and residual use declined by 250 million bushels during the current marketing year. Use during the first three-quarters of the marketing year totaled 4,780 million bushels. To reach the projection for the year, fourth quarter feed and residual use must equal 645 million bushels. The historical pattern of feed and

We request all readers, electronic media and others follow our citation guidelines when re-posting articles from *farmdoc daily*. Guidelines are available [here](#). The *farmdoc daily* website falls under University of Illinois copyright and intellectual property rights. For a detailed statement, please see the University of Illinois Copyright Information and Policies [here](#).

residual use in corn may provide some indication of the fourth quarter use. For the five previous marketing years, use during the fourth quarter of the marketing year ranged from 5.7 – 12.5 percent of the marketing year total with an average of 8.4 percent. Due to expansion in the livestock sector, an increase of corn used in feed is expected during this quarter. For this analysis, a percentage in the higher end of the range during the previous five marketing years is used to calculate expected feed and residual use during the fourth quarter. Feed and residual use during the fourth quarter of the 2016-17 marketing year is calculated at 653 million bushels.

The supply of corn available on June 1 of the 2016-17 marketing year is the base for estimating September 1 stocks. Corn stocks at the beginning of the quarter were estimated at 5,225 million bushels in the June Grain Stocks report. Currently, the Census Bureau estimates for corn imports are only available through July. In the first three-quarters of the marketing year, corn imports totaled 39.4 million bushels. Imports for the fourth quarter might have been around 11 million bushels. By combining imports with the beginning stocks, total available supply for the fourth quarter comes in at 5,236 million bushels.

By adding the estimates for exports and domestic uses, the total use of corn during the fourth quarter is estimated at 2,891 million bushels. The total use estimate for the fourth quarter places September 1 corn stocks at 2,345 million bushels. At this level, September 1 stocks come in five million bushels smaller than the projected September 1 corn stocks.

A September 1 corn stocks estimate that supports the USDA projection of 5,425 million bushels of feed and residual use during the 2016-17 marketing year is considered neutral for corn prices. This analysis indicates a September 1 corn stocks estimate near 2,345 million bushels should not change expectations that feed and residual use is on track to meet the marketing year projection and provides support for the current 2016-17 corn ending stock produced by USDA. For corn prices to find strength, either a change in current corn production forecasts or a new source of demand must occur to change the fundamentals associated with current corn prices in the near term.

References

USDA, National Agricultural Statistics Service. *Grain Stocks (Quarterly)*. <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1079>

USDA, National Agricultural Statistics Service. *Grain Crushings and Co-Products Production (September 2017)*. <http://usda.mannlib.cornell.edu/usda/nass/GrnCrush//2010s/2017/GrnCrush-09-01-2017.pdf>