



## Weekly Outlook: Can Corn Prices Get Above the Current Range?

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March corn futures prices continue to hover in a range between \$3.48 and \$3.60 since the release of the [November WASDE report](#). The March corn futures price closed at \$3.52 on January 19. Despite the overall bearish information contained in the USDA reports on January 12, corn prices continue to stay in relatively narrow range, and that pattern may remain for the next several weeks.

Numerous issues look to keep corn prices in this range. The key contributing factor is the large 2017 U.S. crop. The forecast of the size of the crop increased in each month of the forecast sequence that began in August. The January estimate of the crop size was 451 million bushels larger than the August forecast. At 14.604 billion bushels, the final crop estimate added to the already large ending stocks in the 2017-18 marketing year. The USDA ending stocks projection was at 2.335 billion bushels in September and at 2.477 billion in January.

In addition to the larger crop estimate, weak export performance hampered any strengthening in corn prices. The poor performance is yet to be reflected in USDA's forecast for marketing year exports. The forecast sat at 1.85 billion bushels in August 2017 and increased to 1.925 billion bushels in November. The January 2017 forecast for corn exports maintained the 1.925 billion bushel projection despite a slow start to the marketing year. Exports during the first quarter of the marketing year totaled 349 million bushels, 199 million bushels less than during the same quarter last year. Current weekly export inspections are running 36 percent behind last year's pace as of January 22. Unshipped sales for the current marketing year as of January 11 were reported at 641 million bushels compared to 718 million on the same date last year. To reach the USDA projection for the marketing year, exports need to pick up substantially during the remainder of the marketing year.

Food and industrial use for corn were estimated at 1.745 billion during the first quarter driven by excellent corn use for ethanol. During the first quarter, corn use for ethanol came in at 1.391 billion bushels, up from the 1.343 billion bushels used last year over the same period. The EIA's short-term energy outlook projects gasoline consumption as basically flat in 2018 from 2017 levels. Any growth in corn use for ethanol may require ethanol export levels to repeat the strong performance seen in the 2017-18 marketing year. Ethanol exports lagged last year's level by 18 percent in the first quarter, driven mostly by a reduction in exports to Brazil due to a 20 percent tariff rate quota implemented in September. A jump in gasoline consumption in 2018 or boost in ethanol exports could provide support for additional

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corn use for ethanol, but the USDA projection of 5.525 billion bushels is reasonable under the current consumption levels.

The rate of feed and residual use of corn during the first quarter of the marketing year were somewhat disappointing. Based on the USDA's estimate of December 1 corn inventories, 4.39 billion bushels of corn were used for all purposes during that quarter. The residual, assumed to have been fed, totaled 2.298 billion, only 21 million bushels (.9 percent) more than used during the same quarter last year despite larger livestock inventories. The USDA currently projects feed and residual use of corn for the entire marketing year at 5.55 billion bushels, 1.5 percent larger than last year's use and 25 million bushels less than the previous forecast. The percentage of annual use varies in the first quarter by several percentage points from year to year. Over the last decade, first quarter feed and residual use averaged 42 percent of the marketing year total. First quarter use this marketing year comes in at 41.4 percent of the current projection. The estimate of March 1 inventories to be released on March 29 needs to show a slightly larger use during the second quarter of the year to stay on pace.

Despite the large crop and growth of ending stocks, a development that could help corn prices break out of the current range is decreased corn area in the U.S. in 2018. Planted acreage in 2017 was 3.837 million acres less than the planted area in 2016. Another decrease in planted area in 2018 is possible due to the higher profitability of soybeans relative to corn production in many areas. Also, the USDA's Winter Wheat Seedings report indicated that seedings for 2018 harvest were down only slightly from last year at 32.608 million acres, down .3 percent from the previous year. In the Corn Belt, only Nebraska (-90,000 acres) and South Dakota (-60,000 acres) reduced winter wheat acreage from last year. There appears to be a limited area for additional acres of spring-planted crops, including corn, associated with acreage related to winter wheat. Strong cotton and spring wheat prices may see additional acreage allocated to those crops in some areas as well during the spring. A significant corn acreage reduction from last year in the March 29 prospective planting report would boost the probability of corn prices breaking out of the current range given current consumption levels.

The present outlook projects ample corn supplies in 2018 which will likely keep corn prices in the current range until information on spring planting is released. Planting decisions and spring weather conditions will determine if a price breakout is possible this spring. A typical price pattern suggests a price rally in late spring or early summer associated with weather issue. Summer weather and the impact it has on corn production will eventually determine 2018 corn price.

## References

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