



Weekly Outlook: Looking Ahead to the September 1 Corn Stocks Estimate

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The size of the U.S. corn crop will be the most important price factor in that market for the next few months. The market is expecting a crop large enough to meet consumption needs without price rationing, but is not expecting as large an increase in marketing year ending stocks as projected a month ago. The USDA's production forecast to be released on September 12 will provide for updated projections of marketing year consumption, ending stocks, and average farm price.

At the margin, the size of the inventory of old crop corn on September 1 will also influence the expected balance of supply and consumption during the current marketing year. Consumption of corn during the final quarter of the 2012-13 marketing year may have exceeded the USDA's projection in the August WASDE report. If so, stocks of old crop corn on September 1 may have been smaller than currently projected. The consumption of corn for ethanol and by-product production for the year just ended was projected at 4.65 billion bushels. The USDA estimates that 3.448 billion bushels were used for that purpose during the first three quarters of the marketing year. That is 9.7 percent less than consumption during the same period a year earlier and is in line with the 9.3 percent reduction in ethanol production reported by the U.S. Energy Information Administration. To reach the 4.65 billion bushels projected for the year, consumption during the final quarter would have been 1.202 billion bushels, 0.85 percent more than consumption of a year earlier. While final estimates of ethanol production for July and August are not yet available, weekly estimates suggest that fourth quarter ethanol production was 3.5 percent larger than production of a year earlier. If that was the case, corn consumption was likely near 1.227 billion bushels for the quarter and near 4.675 billion bushels for the year.

Corn exports during the 2012-13 marketing year were projected at 715 million bushels. The U.S. Census Bureau reported that exports during the first 11 months of the marketing year totaled 672 million bushels. Exports of 43 million bushels during August would have been required for the marketing year total to reach 715 million bushels. The USDA's weekly report of export inspections indicated shipments for the month of 56 million bushels. It appears that marketing year exports may have been near 730 million bushels.

Feed and residual use of corn during the 2012-13 marketing year was projected at 4.45 billion bushels. Use during the first three quarters of the year was estimated at 4.068 billion bushels. To reach the

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marketing year projection, fourth quarter consumption would have been 382 million bushels. That compares to 451 million bushels consumed during the summer quarter of 2011 and 322 million bushels consumed last summer. Consumption of old crop corn last summer was likely reduced by the exceptionally large amount of new crop corn harvested before September 1 (estimated at 1.2 billion bushels). Some of that crop was likely consumed during the final quarter of the 2012-13 marketing year, reducing the consumption of old crop corn. That reduced consumption would have been reflected in a smaller estimate of feed and residual use of old crop corn. Based on the 10 states reporting harvest progress in last week's USDA weekly *Crop Progress* report, about 460 million bushels of corn were likely harvested as of September 1 this year. That early harvest likely reduced consumption of old crop corn in August, but the reduction may have been less than last year. In addition, feed and residual use of wheat during the summer quarter last year was estimated at a very large 429 million bushels. It is unlikely that use exceeded that level in 2013. The number of cattle in feedlots during the summer of 2013 was smaller than during the summer of 2012, but broiler production was larger this summer than last summer. Taken together, the available information points to feed and residual use of corn in excess of 382 million bushels during the summer quarter of 2013.

Domestic corn consumption for food and industrial products other than ethanol is relatively constant from year to year and even quarter to quarter. Use during the summer quarter of 2013 was likely very near the 357 million bushels projected by the USDA. Finally, corn imports totaled just over 27 million bushels in June and July. Imports for the summer quarter were likely near the 42 million bushels projected in the USDA's August WASDE report.

Calculations for forming an expectation about the magnitude of stocks of old crop corn on September 1 are based on the magnitude of stocks on June 1, the magnitude of imports during the quarter, and the magnitude of likely consumption during the quarter. That process this year leads to an expectation that is 50 to 80 million bushels less than the USDA's most recent projection of 719 million bushels. The estimate of corn inventories revealed in the USDA's September *Grain Stocks* report, however, is not always close to the "calculated" value. The estimate of September 1, 2013 stocks of old crop corn will be released on September 30.