



Weekly Outlook: Difficult to Anticipate December 1 Corn Stocks Estimate

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The USDA's estimate of December 1, 2012 inventories of corn, to be released on January 11, 2013, will be one of the more important factors influencing the price of old crop corn in the first quarter of the new year. The estimate of soybean stocks may be somewhat less important because more is known about the level of consumption during the first quarter of the 2012-13 marketing year.

For soybeans, consumption during the first quarter of the marketing year is generally known because periodic export and crush estimates are available. Based on Census Bureau estimates for September and October and USDA inspection estimates through November, exports were near 613 million bushels. That would be slightly less than the record large exports of two years ago. Based on estimates from the National Oilseed Processors Association, the domestic crush during the first quarter was near 448 million bushels, the largest in five years. Feed, seed, and residual use during the first quarter is highly variable, but averaged 115 million bushels in the previous 10 years. Total consumption during the quarter was likely near 1.176 billion bushels. The biggest uncertainty about the magnitude of December 1 stocks is the size of the 2012 harvest. If the final estimate of crop size is near the November forecast, December 1 stocks would have been near 1.97 billion bushels, 400 million smaller than the inventory of a year earlier. As indicated in an [earlier newsletter](#), previous years with yield forecasts following the pattern of 2012 provide little direction for forming expectations about the January yield estimate this year.

The magnitude of corn stocks on December 1 will reveal the magnitude of consumption during the first quarter of the marketing year and the amount of corn available for consumption during the final three quarters of the year. In essence, the stocks estimate will reveal whether the small 2012 crop is being sufficiently rationed. The magnitude of stocks will be influenced by the final estimate of the size of the 2012 crop. Due to the severity of the drought, there is some expectation that the USDA's December survey revealed fewer acres harvested for grain than was forecast in November. Like soybeans, previous years with corn yield forecasts following the pattern of 2012 provide little direction for forming expectations about the January yield estimate this year. The uncertainty about the final production estimate is one of the factors that makes it very difficult to anticipate the magnitude of December 1 stocks. In addition, the magnitude of stocks will be influenced by the imports of corn during the first quarter of the marketing year. For the year, the USDA has forecast imports of 100 million bushels,

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compared to about 30 million in each of the previous two years. The Census Bureau, however, reported total imports of only four million bushels in the first two months of the year. The magnitude of imports in November is not yet known.

Based on Census Bureau estimates through October and USDA inspection estimates through November, exports during the quarter were near 215 million bushels. Exports during the quarter were 190 million bushels less than during the first quarter a year ago and the smallest in 41 years. Based on the estimate of ethanol production during the first quarter of the 2012 corn marketing year, and the assumption that processing for other uses proceeded as forecast by the USDA, total domestic processing use during the quarter was near 1.48 billion bushels. That is 135 million bushels less than use during the first quarter last year.

The rate of domestic feed and residual use of corn is not known, but will be revealed by the magnitude of December 1 stocks. Total disappearance during the quarter minus exports and domestic processing use (estimated here at 1.695 billion bushels) equals feed and residual use. Anticipating the level of feed and residual use is difficult because the level of use in that category during the first quarter of the year varies considerably. Implied use varied by 250 million bushels the previous two years and by 565 million bushels in the previous five years. Use this year is even more difficult to anticipate due to the harvest of an estimated 1.2 billion bushels of corn before the start of the marketing year on September 1. Some of that corn was presumably consumed before September 1, but will be revealed as consumed after September 1. That expectation is supported by the unusually small estimate of corn in the feed and residual category during the final quarter of the 2011-12 marketing year. Even then, September 1 stocks of old crop corn were smaller than expected.

The magnitude of December 1 corn stocks cannot be forecast with confidence and expectations will likely be in a wide range. However, the potential for a smaller 2012 production estimate and a large level of implied feed and residual use point to relatively low inventories and the need to slow the pace of corn feeding.

Note: This is the final newsletter for 2012. The next issue will be January 7, 2013.