



Grain Stocks Estimates Provide Surprises, but Less Information than Usual for Corn

Darrel Good

Department of Agricultural and Consumer Economics
University of Illinois

September 28, 2012

farmdoc daily (2):189

Recommended citation format: Good, D. "[Grain Stocks Estimates Provide Surprises, but Less Information than Usual for Corn](#)." *farmdoc daily* (2):189, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, September 28, 2012.

Permalink: <http://farmdocdaily.illinois.edu/2012/09/grain-stocks-estimates-provide.html>

Today, the USDA released the September 1 *Grain Stocks* and *Small Grains* reports. The *Grain Stocks* report contained estimates of the magnitude of old crop corn and soybean inventories at the end of the 2011-12 marketing year and the inventory of wheat at the end of the first quarter of the 2102-13 marketing year. The *Small Grains* report contained the final estimate of the size of the 2012 U.S. wheat crop. Following is a brief summary of the information contained in the reports.

Corn

September 1, 2012 stocks of old crop corn were estimated at 988 million bushels, 139 million less than stocks on September 1, 2011 and 138 million less than the average trade guess. The stocks estimate implies that 2.166 billion bushels of corn were consumed during the final quarter of the 2011-12 marketing year and that feed and residual use during the quarter was very small at 352 million bushels. However, due to the availability of unusually large quantities of new crop corn before September 1 this year, the level of old crop inventories on September 1 provides substantially less information about the actual level of feed and residual use of corn during the final quarter of the previous marketing year than in most years.

The September 1 stocks estimate for corn, as with all quarterly stocks reports, allows for the calculation of total consumption in the previous quarter. Since domestic processing use and exports during the previous quarter are already known before the release of the report, the stocks estimate provides for a calculation of feed and residual use during the previous quarter. However, apparent feed and residual use during the final quarter of the year, and therefore during the first quarter of the next marketing year, is muddled by the availability of newly harvested corn in the last several weeks of the old crop marketing year. Since the September 1 stocks estimate is an estimate of old crop corn inventories, only the consumption of old crop corn during the final quarter of the year is revealed by the stocks estimate. Consumption of newly harvested corn during that quarter is not known. That consumption appears as consumption during the first quarter of the next marketing year and is revealed in the December 1 stocks estimate. To the extent that newly harvested corn is actually consumed in the old-crop marketing year, consumption during the final quarter of the year is understated and consumption during the first quarter of the following marketing year is overstated. The magnitude of the under and over estimates is never really known and is not a

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](#).

major issue if only small amounts and relatively constant amounts of new crop corn are available before September 1 each year. This year, however, the USDA estimated that nearly 1.2 billion bushels of corn were harvested before September 1, compared to 200 to 700 million in each of the previous 20 years. Much of the 1.2 billion bushels was harvested early enough so that it could have been used before September 1. Additionally, regardless of how the newly harvested corn was consumed, it shows up in the balance sheet as smaller feed and residual use of old crop corn. The bottom line is that the September 1 stocks estimate of 988 million bushels reveals less about the actual pace of feed and residual use of corn this year than in most years.

Soybeans

September 1, 2012 stocks of old crop soybeans were estimated at 169 million bushels, 46 million smaller than stocks of a year ago, but 37 million larger than the average trade guess. The larger than expected level of stocks resulted in a 38 million bushel increase in the estimated size of the 2011 crop. The production increase reflected a 70, 000 acre increase in the estimate of planted acreage, a 140,000 acre increase in the estimate of harvested acreage, and a 0.4 bushel increase in the average yield estimate.

Wheat

The final estimate of the size of the 2012 U.S. wheat crop was reported at 2.269 billion bushels, essentially unchanged from the August forecast as a smaller winter wheat estimate was offset by a larger spring wheat estimate.

September 1, 2012 stocks of wheat were reported at 2.104 billion bushels, 43 million smaller than stocks of a year earlier and 177 million smaller than the average trade guess. The magnitude of September 1 stocks reveals the level of feed and residual use of wheat during the first quarter of the 2012-13 marketing year. Based on known exports for the quarter and an estimate of domestic processing uses, feed and residual use appears to have totaled about 435 million bushels. That compares to an average of 241 million during the same quarter in the previous three years and the recent high of 393 million bushels in 2008.

Implications

The level of stocks of old corn on September 1 was likely influenced by the harvest and likely use of larger quantities of new crop corn before September 1 than is normally the case and therefore reveals less than usual about the actual pace of feed and residual use of corn this past summer. Still, the surprisingly low level of old crop stocks should be enough to bring the recent price slide to a halt. The bigger supply issue, however, is the size of the current harvest. The USDA will provide a new production forecast on October 11.

On the surface, soybean stocks nearly 40 million bushels larger than expected are bearish for near term prices. Given the recent sharp price decline and generally friendly corn and wheat stock estimates, however, prices may find a little support near current levels. The expectation that the 2012 crop is larger than the September forecast will likely prevent a price recovery.

The smaller than expected inventory of wheat, along with continued concerns about dryness in some portions of the U.S. hard red winter wheat areas and prospects for limited export supplies from Russia, should allow prices to regain some of the losses since late July.