



Weekly Outlook: Anticipating June 1 Corn Stocks

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As trade issues continue to inject uncertainty into commodity markets, the USDA reports due for release on June 29 look to impart additional data on corn demand and supply moving forward. While the information in the June Acreage report released on the same day will likely eclipse the Quarterly Grain Stocks report, the estimated corn stocks provide insight into the current marketing year usage and ending stocks estimates. This analysis show the estimate for June 1 corn stocks comes in near last year's level and may require adjustment to feed and residual use estimates for the current marketing year.

The supply of corn available during the first half of the 2017-18 marketing year is the base for estimating June 1 stocks. Corn stocks at the beginning of the quarter were estimated at 8.888 billion bushels in the March Grain Stocks report. Currently, the Census Bureau estimates for corn imports are only available through April. In the first half of the marketing year, corn imports totaled 20 million bushels. Imports for the third quarter might have been around 8 million bushels. By combining imports with the beginning stocks, total available supply for the second quarter comes in at 8.896 billion bushels.

An estimate of corn exports for the third quarter is based on the cumulative weekly export inspections estimate available for the entire quarter. Cumulative marketing year export inspections through May totaled approximately 1.558 billion bushels. During the first eight months of the marketing year, total Census Bureau corn exports were greater than cumulative export inspections by 72 million bushels. Assuming the margin continued through May, corn exports through three quarters of the year equaled 1.631 billion bushels. Since exports in the first half of the marketing year totaled 787.85 million bushels, the estimate for third quarter corn exports equals 843.5 million bushels.

The Grain Crushing and Co-Products Production report released on June 1 estimated corn used for ethanol and co-product production during March and April at 918.2 million bushels. Weekly estimates of ethanol production provided by the Energy Information Administration indicates ethanol production increased by 2.8 percent in May 2018 from the preceding year. By calculating the amount of corn used to

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produce ethanol from these May numbers, corn used for ethanol production in May was approximately 466.12 million bushels. Total use for the quarter is estimated at 1.384 billion bushels.

Corn used to produce other food and industrial products during the marketing year is projected at 1.465 billion bushels by the USDA. Using historical corn use data, typically around 75 percent of the final marketing year food and industrial products use occurs in the first three quarters of the marketing year. If this historical pattern holds and the USDA projection is correct, corn use for the first three quarters of the marketing year totaled 1.109 billion bushels. Corn use during the first half equaled 693.37 million bushels which set the third quarter use estimate at 416 million bushels.

The current USDA projection for feed and residual use sits at 5.500 billion bushels. The historical pattern of feed and residual use in corn may provide some indication of the third quarter use. For the five previous marketing years, use during the first three quarters of the marketing year ranged from 87.4 – 94.2 percent of the marketing year total with an average of 90.5 percent. Third quarter feed and residual use ranged from 17 to 21 percent of the total use over this time span. For this analysis, an 88.0 percent usage rate during the first three quarters is used to calculate expected feed and residual use during the third quarter. This percentage is chosen due to the lower than expected level of feed and residual use during the first half of the marketing year and a feed and residual use pattern similar to last year. If the USDA projection is correct, a use level near 4.978 billion bushels is expected through the third quarter. This analysis indicates feed and residual use during the first three quarters of the marketing year totaled 4.840 billion bushels. Feed and residual use equaled 3.756 billion bushels in the first half. Therefore, the third quarter estimate totals 1.084 billion bushels.

By adding the estimates for exports and domestic uses, the total consumption of corn during the third quarter is estimated at 3.728 billion bushels. The total use estimate for the third quarter places June 1 corn stocks at 5.168 billion bushels. At this level, June 1 stocks come in 61 million bushels smaller than 2017 June 1 corn stocks.

A June 1 corn stocks estimate that supports the USDA projection of 5.500 billion bushels of feed and residual use during the marketing year is considered neutral for corn prices. An estimate of corn stocks near 5.030 billion bushels would indicate that feed and residual use is on track to meet the marketing year projection. This analysis suggests an estimate near 5.168 billion bushels should change expectations on feed and residual use this marketing year.

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