



## Weekly Outlook: 2017-18 Corn Consumption Finishing Strong

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While discussion of trade issues and the potential for new crop yield continue to dominate the market outlook for corn, the low corn prices seen over the last couple of months spurred corn consumption in the latter part of the marketing year in export and ethanol markets.

Weekly ethanol production exceeded a million barrels per day in all but two weeks thus far in 2018. Buoyed by positive ethanol profit margins, estimates of corn use for ethanol during this marketing year continue to increase. Current USDA estimates of corn use for ethanol sit at 5.6 billion bushels for the marketing year. Through three quarters of the marketing year, corn used in ethanol production totaled 4.18 billion bushels. Based on ethanol production since May and estimates of corn use in the production, corn consumption for ethanol as of July 20 is approximately 4.98 billion bushels. Ethanol exports continue to support corn use with total through May coming in at 1.24 billion gallons, up 17 percent over last year. To reach the USDA estimate, about 104 million bushels of corn use per week is necessary for the remainder of the marketing year. The recent pace of ethanol production indicates the potential to reach and possibly exceed the current USDA estimate.

USDA estimates corn exports at 2.4 billion bushels this marketing year. Exports through three quarters of the marketing year came in at 1.66 billion bushels, down 6.3 percent from last year over the same period. However, the weekly rate of export inspections during June and July point toward a substantial increase in corn exports during the fourth quarter. Accumulated exports through July 26 came in at 2.027 billion bushels. By using the relationship between Census Bureau export estimates from September through May and cumulative export inspections, exports through July 26 totaled 2.125 billion bushels. With five weeks left in the marketing year, an additional 275 million bushels of exports is required to reach the current USDA estimate, an average of 55 million bushels per week. For the four weeks ended July 26, weekly export inspections averaged 56 million bushels per week. At 391 million bushels, outstanding sales as of July 19 point toward meeting the USDA estimate. While the export demand for U.S corn for the remainder of the marketing year is uncertain, the recent pace of export inspections and new export sales are supportive of the current projection for the marketing year.

The level of corn consumption in the feed and residual category likely fell from a year ago. The 50 million bushel reduction by the USDA in the July 12 WASDE reflected the larger than expected June 1 corn stocks. Livestock production levels supported the notion of increased corn feed use during this marketing

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year. Despite strong livestock production, the USDA projection for marketing year feed and residual use fell by 100 million bushels since January. The growth in ethanol production created an increase in distiller's grain production that contributed to lower feed use. When combined with a slight decline in distiller's grain exports during the marketing year, the availability of distiller's grains is apparent. Feed and residual use of corn came in at 4.7 billion bushels through three quarters of this marketing year, down 88 million bushels from last year. To reach the current USDA estimate of 5.45 billion bushels, fourth quarter feed and residual use must equal 754 million bushels, 67 million bushels larger than the fourth quarter of the 2016 - 17 marketing year. Over the last three marketing years, fourth quarter feed and residual constituted 11.2 percent of total use in the category. If the average occurred this year, 610 million bushels of feed and residual use would happen in the fourth quarter. Lower corn prices and strong livestock production levels may see the potential for corn feed use coming in at the current USDA estimates. Reaching the current USDA estimate appears unlikely at this point. An expectation of an additional 25 million bushel reduction in the feed and residual use category is anticipated.

Corn futures prices recently rose from 2018 lows seen in mid-July. The continued speculation on the size of the 2018 crop and trade issues dampened the impact of strong consumption growth seen over the last month. Despite lower than expected feed and residual use, strength in ethanol use for corn and export markets indicate the current ending stocks estimate of 2.027 billion bushels by the USDA is attainable. The August 10 crop production report provides some clarity on yield potential for corn this year and with a lower than expected yield may witness stronger prices under current consumption levels.

**YouTube Video:** Discussion and graphs associated with this article: <https://youtu.be/U7vuiONYvDE>