



## Weekly Outlook: Corn Prices Show Lackluster Response to Smaller Crop

Todd Hubbs

Department of Agricultural and Consumer Economics  
University of Illinois

November 12, 2018

*farmdoc daily* (8): 208

---

Recommended citation format: Hubbs, T. “[Corn Prices Show Lackluster Response to Smaller Crop.](#)” *farmdoc daily* (8): 208 , Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, November 12, 2018.

Permalink: <https://farmdocdaily.illinois.edu/2018/11/corn-prices-show-lackluster-response-to-smaller-crop.html>

---

The USDA reports released on November 8 contained a lower corn yield, significant revisions to Chinese corn data, and a downward revision of some major corn consumption categories. Corn prices failed to respond despite the smaller crop size projection.

The United States corn production forecast decreased to 14.63 billion bushels, down 152 million bushels from the October forecast. At 178.9 bushels per acre, the yield decrease of 1.8 bushels came in below pre-report estimates. Over the last 20 years, a reduction in yield close to this magnitude between the October and November occurred in 2000 (-1.9 bushels), 2007 (-1.7 bushels) and 2010 (-1.5 bushels). In each of those instances, the final yield estimate decreased from the November forecast with an average decline of 1.6 bushels per acre. Yield reductions were particularly sharp in the northwest region of the Corn Belt. Iowa and South Dakota corn yield projections decreased by six bushels per acre, and Minnesota projections fell seven bushels per acre. In conjunction with lower corn production, projections of corn consumption fell 75 million bushels to 15.08 billion bushels. Ending stocks for the 2018-19 marketing year reduced to 1.736 billion bushels and placed stocks to use projections at 11.5 percent, down from 12 percent in the October forecast.

A significant development in the WASDE report involved the revision of Chinese corn production, consumption, and stocks over the last ten years. Ending stocks in China now sit at 8.17 billion bushels, up from 2.3 billion bushels last month. China currently holds 67.5 percent of world corn ending stocks. This new development should be familiar to wheat market observers as China held a large percentage of global wheat ending stocks over the last several years. World stocks-to-use exploded to 27.2 percent in the November report, up from 14.4 percent. The removal of Chinese data from the calculation places world stocks to use at 11.7 percent. Since Chinese corn exports are minimal, the global demand for corn looks to remain strong for U.S. exports.

The November WASDE report projects 2018-19 marketing year corn exports at 2.45 billion bushels, compared to 2.438 billion bushels last marketing year. The current export projection decreased by 50 million bushels from the October projection on the expectation of increased competitiveness in global

---

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](#).

markets, particularly from the Black Sea region. A strong start to exports this marketing year moderated in mid-October. Census Bureau estimates of corn exports for September came in at 207 million bushels, 48 percent above last year's export total during September. Weekly export inspections continue to outpace last year's export totals thus far in the marketing year. During the first nine weeks of the marketing year, export inspections totaled 389.7 million bushels, 171 million bushels more than the same time last year. The pace of exports is on track to reach the USDA's current projection.

The forecast for corn use for ethanol stayed at 5.65 billion bushels. The projection is 45 million bushels larger than last year. The USDA's Grain Crushing and Co-Products Production report found 449.2 million bushels of corn used for ethanol production in September, up one percent over last September but down seven percent from August. Weekly EIA estimates of ethanol production through November 2 indicated a 1.15 percent increase over last year. The pace of ethanol production is running marginally ahead of USDA projections. Numerous factors will influence ethanol production during the rest of the marketing year. These include the pace of gasoline consumption and ethanol exports. Weekly gasoline demand thus far in the marketing year averaged 1.7 percent lower than last year through November 2. Ethanol exports in September came in approximately 6.5 percent over last year, but down almost 25 percent from August levels. Weaker gasoline demand over the previous few months requires monitoring as we move into 2019. A shortfall in gasoline consumption would place a greater emphasis on exports to meet the USDA projection.

USDA projects feed and residual use of corn during this marketing year to be 5.5 billion bushels, down 50 million bushels from the October. At 202 million bushels over the last marketing year, the change in feed and residual usage is a 3.8 percent increase. The lower than expected feed and residual use numbers during the previous marketing year may signal further revisions are forthcoming. The December Grain Stocks report, released during the second week of January, provides the first quantifiable indication this marketing year.

The potential for an even smaller corn crop and continued strong consumption indicate support for corn prices as we move into 2019. Bearish soybean prices and the prospect of acreage shifts next year may prevent corn prices from reaching their full potential under tightening ending stock scenarios.

**YouTube Video:** Discussion and graphs associated with this article <https://youtu.be/FMwVZUB-kT4>