



## Weekly Outlook: Tracking the Pace of Corn Consumption

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The December corn futures contract closed lower for the third straight week on Friday. Weakness in soybean and oil markets continue to place bearish pressure on corn prices. Despite the price weakness, the pace of corn consumption remains relatively robust thus far in the marketing year. Analysis of corn consumption for the marketing year that began in September indicates the pace is still on track to match current USDA forecasts for consumption.

The USDA projects marketing year corn exports at 2.45 billion bushels, 12 million bushels more than exported last year. With one reporting week left in the first quarter of the marketing year, cumulative export inspections exceed those of a year ago by 80 percent. Last year, however, weekly export inspections were relatively small early in the year with the first half of the marketing year averaging 28.2 million bushels per week. The strength in exports during the last half of the marketing year, with a weekly average of approximately 58 million bushels, continued into the early part of this year. To date this marketing year, export inspections averaged 42.8 million bushels per week. Census Bureau export estimates for September came in at 207 million bushels and exceeded export inspection estimates by 23.5 million bushels. If that margin stayed constant through November 22, exports sit at 539 million bushels and need to average nearly 47.4 million bushels per week during the final three quarters of the year to reach the USDA projection. Unshipped export sales as of November 15 came in at 463 million bushels, 111 million less than outstanding sales a year earlier. Export commitments (shipments plus outstanding sales) are 1.5 percent higher than those of the previous year. The current pace of corn exports is encouraging, but sales and shipments need to continue the strength seen early in the marketing year.

The USDA projects feed and residual use of corn during the current marketing year at 5.5 billion bushels, 202 million bushels (3.8 percent) more than used last year. The pace of use can only be measured based on the USDA's quarterly estimate of corn stocks. The estimate of stocks at the end of the first quarter of the marketing year, December 1, will be released on January 11, 2019. Until then, the pace of feed use of corn is derived mainly from estimates of livestock slaughter and inventories. Weekly broiler chick placements continue to run about one percent below placements of a year earlier. As of November 1, the number of cattle in feedlots with capacity of at least 1000 head was up 3.2 percent, but placements came in at 93.9 percent of last year and eased concerns about cumbersome supplies in the first quarter of

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2019. Similarly, the number of hogs slaughtered in October was up six percent from that of last year, but frozen pork in storage came in five percent lower than last year. While large livestock inventories point to increased feed use of corn, the magnitude of residual use is difficult to anticipate.

Weekly EIA estimates indicate that ethanol production in September and October of this year exceeded that of last year by approximately one percent. Ethanol production from the beginning of the marketing year through November 16 was 0.7 percent larger than during the same period last year. Ethanol production during the first quarter of the 2018-19 marketing year is likely about 0.7 percent larger than during the same quarter last year. Corn used for ethanol production may have been up slightly more than 0.6 percent for the quarter which places corn use in ethanol at approximately 1.4 billion bushels for the quarter.

For the marketing year, the USDA has projected corn used for ethanol production at 5.65 billion bushels, only 0.8 percent more than used last year. Corn use over the next three quarters of the year would have to be 0.9 percent more than the use of a year ago to meet that projection. Domestic ethanol consumption may plateau during the current marketing year following an increase last year. A continuation of lower crude oil and gasoline prices places pressure on ethanol profitability margins. At this juncture, it appears likely that corn used for ethanol production requires another strong year of ethanol exports. Total ethanol exports during the 2017-18 marketing year reached a record 1.635 billion gallons, up 18 percent over the previous marketing year. Ethanol export data is currently available for September and shows an increase of 6.7 percent over last year.

The USDA will update the projections of marketing year corn consumption on December 11. The current pace of use suggests that the forecast of total consumption will be little changed from the November projection. Corn prices will continue to struggle without a resolution of trade issues with China or price recovery in energy markets.

**YouTube Video:** Discussion and graphs associated with this article <https://youtu.be/TS0MEMW98AU>