



## Weekly Outlook: Corn Use for Ethanol Update

Todd Hubbs

Department of Agricultural and Consumer Economics  
University of Illinois

April 29, 2019

*farmdoc daily* (9): 77

---

Recommended citation format: Hubbs, T. "[Corn Use for Ethanol Update](#)." *farmdoc daily* (9): 77, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, April 29, 2019.

Permalink: <https://farmdocdaily.illinois.edu/2019/04/corn-use-for-ethanol-update.html>

---

On May 1, the latest USDA *Grain Crushing* report will provide an estimate of corn used for ethanol production in March. An expectation of continued weakness is in place for ethanol-based corn consumption that led to the USDA's reduction by 150 million bushels since the September WASDE report. While increased production is set to begin with the summer driving season, strong growth in gasoline consumption or ethanol exports appear necessary to meet the USDA forecast.

At 5.5 billion bushels, the current projection of corn used for ethanol production this marketing year reflects the lower pace of corn consumption for ethanol. Grain crushing for fuel alcohol totals are available through February from the USDA this marketing year. For the first half of the marketing year, corn use for ethanol came in at 2.674 billion bushels of corn, down four percent from 2017-18 crush numbers. Using EIA weekly ethanol production data through March, production levels place corn use for ethanol production near 440 million bushels for the month if corn use maintains the conversion rate seen in the first two months of the year. With a conservative estimate of corn crush through March, total corn consumption for ethanol production through the first seven months of the marketing year comes in at 3.114 billion bushels. Last year from April through August, corn use for ethanol totaled 2.343 billion bushels. To reach the USDA projection, corn use over the remaining five months needs to equal 2.386 billion bushels. Thus far, ethanol production in April averaged 1.022 million barrels a day, up from the 1.009 million barrels a day over the same period last year. As we enter the summer driving season, gasoline demand is set to increase. However, the current projection requires much stronger gasoline demand or acceleration in ethanol exports to meet the forecast.

The Energy Information Agency (EIA) projection of U.S. retail gasoline price during the summer driving season appears set to average \$2.76 per gallon in 2019, nine cents lower than the price experienced in 2018. The forecast for gasoline consumption stands at 9.54 million gallons per day in the second and third quarter of 2019, up from the 9.51 million gallons consumed over the same period in 2018. EIA's forecast of ethanol production in the second and third quarters is 1.05 and 1.04 million barrels per day respectively. Those ethanol production levels sit slightly lower than 2018 levels of 1.04 and 1.06 million barrels per day. If the EIA projection is correct, a production level of ethanol for gasoline consumption

---

*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](#).*

sits lower for the 2019 driving season. Moderate growth in gasoline consumption from last year does not appear to be enough for ethanol use for blending purposes to meet the current USDA projection. Strong economic growth leading to increased gasoline consumption or increased exports look necessary to meet or exceed the USDA forecast.

Ethanol exports witnessed record levels in the 2017-18 marketing year with exports totaling 1.636 billion gallons. Approximately 28 percent of this total went to Brazil. Canada imported over 20 percent and an expanding market in India imported another 10 percent. Ethanol export numbers are available from U.S. Census trade data for the marketing year through February. U.S. exports of ethanol thus far sit near 800 million gallons, up two percent from the similar period last marketing year. The largest markets once again comprised Brazil, Canada, and India through February. Brazil and Canada both maintained last year's percentages in exports while India increased to 12 percent. Expansion of ethanol imports to South Korea, the Netherlands, Peru, and the Philippines helped lead to the year over year growth through February. Low sugar prices saw expanded ethanol production from sugar in Brazil this year. In combination with increased corn ethanol production in the country, the prospects for ethanol exports to Brazil for the remainder of the marketing year look weaker than last year.

Ethanol exports to China remain noticeably absent. Warming trade relations create the possibility for increased ethanol exports moving forward. If a resolution to the trade impasse with China gets resolved early enough in 2019, the potential for strong ethanol exports during the last quarter of the marketing year remains a possibility. At 45 percent, the Chinese tariff on U.S. ethanol limits export potential. China possesses the ability to ramp up ethanol imports rather quickly and an expectation of increased demand seems reasonable given current E-10 policy goals in the country. The pace of ethanol exports places the 2018-19 marketing year on course to exceed last year's record total. Still, a sharp expansion in ethanol buying from China may be necessary to reach the current USDA projection of corn use for ethanol.

Lower gasoline prices leading to higher domestic gasoline consumption may provide support for increased corn usage for ethanol production this summer. Additionally, the continued expansion of ethanol exports appears promising especially if China emerges as a buyer. Corn use from ethanol production faces the prospects of further reductions during the 2018-19 marketing year without a fundamental change in current market demand projections.

**YouTube Video:** Discussion and graphs associated with this article at <https://youtu.be/PucMGmWTn10>