



Weekly Outlook: Reconsidering USDA's Corn Projections

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The USDA's [WASDE report released on May 10](#) contained updated balance sheet projections for U.S. corn during the current marketing year and the 2019-20 marketing year. Corn price fell on a forecast of more abundant supplies in the next marketing year and growing old crop ending stocks.

For the current marketing year, the projection of feed and residual use of corn stayed at the April projection of 5.3 billion bushels. The lack of adjustment came as no surprise since the information available on the rate of feed and residual use remains limited. On June 28, the USDA releases the estimate of June 1 corn stocks and provides further information on feed and residual use. The corn used for ethanol production projection decreased by 50 million bushels, to a total of 5.45 billion bushels. The ethanol use projection is consistent with the magnitude of ethanol production this marketing year and the current weekly pace of production expected throughout the remainder of the year.

The projection of exports stayed at 2.3 billion bushels. Outstanding sales as of May 2 came in at 407 million bushels. A significant concern, due to the failure of trade negotiations, centers on sales to China. As of May 2, unshipped sales to China totaled 18.4 million bushels, and the probability of those getting canceled seems high. Sales to unknown destinations that might include some sales to China totaled 49.7 million bushels. Unshipped sales stood at 85 million bushels for Japan, 15 million to South Korea, and 148 million bushels to Mexico. Those sales appear less vulnerable to cancellation, but some may get moved into next year.

As of May 9, the USDA reported cumulative marketing year exports at 1.580 billion bushels. Exports during the final 16.29 weeks of the year must average 44 million bushels per week to reach the USDA projection of 2.3 billion bushels. Inspections for the eight weeks ended May 9 averaged 46.1 million bushels per week. Net new export sales need to average near 21.6 million bushels per week to reach the projection by the end of August. Sales probably need to exceed the current projection for exports since some sales usually get carried over to the next marketing year. Net sales over the last four weeks averaged 25.6 million bushels per week. A continuation of sales must contend with competition from large crops in South America. Corn production forecasts in Argentina and Brazil increased by 236 million

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bushels to a total of 5.87 billion bushels. The USDA export projection is attainable, but uncertainty remains into late in the summer.

Based on current USDA projections of corn use, current marketing year ending stocks sit at 2.095 billion bushels, 65 million bushels more than last month's projection. Even if the current USDA projection of exports is correct, ending stocks may vary from current projections since the level of feed and residual use remains unknown until the release of the final marketing year stocks report on September 30. A limited upside potential of corn consumption places focus on the size of the 2019 corn crop.

The USDA projected 2019 corn yield at 176 bushels per acre. The yield projection maintained the February forecast based on a weather-adjusted trend model that assumes normal mid-May planting progress and normal summer weather. USDA's corn acreage forecast kept the totals revealed in the planting intentions provided in the March *Prospective Plantings* report. The 2019 crop is projected to be 610 million bushels larger than corn produced in 2018. The slow start to the planting season brings both the yield and acreage projections into question. One may expect a lower yield projection associated with excessive late planting (see *farmdoc daily*, [May 1, 2019](#)). As of May 6, corn planting sat 23 percent behind the average planting pace in the eighteen major producing states. The continuation of wet weather in many areas of the Corn Belt this week points towards further delays. Additionally, the prospect of reduced corn acreage appears ever more likely as planting is delayed even further into May (see *farmdoc daily*, [May 9, 2019](#)).

The total corn use forecast for the 2019-20 marketing came in at 14.675 billion bushels, up 175 million bushels from this marketing year. The production and consumption projections point to stocks at the end of the 2019-20 marketing year of 2.485 billion bushels, up 390 million bushels from the current marketing year forecast. The marketing year average price is projected at \$3.10 per bushel, down from \$3.50 expected this year. Uncertainty remains about supply projections for the next marketing year with an expectation of fewer corn acres and a lower yield.

The decline in corn prices after the release of the new projections cannot be separated from the current trade issues with China. Weaker demand and a projection of growing supply provide support for the bearish tilt to the market. Support for corn prices relies on lower acreage and yield potential for the 2019 crop without a resolution to the trade negotiations with China.

YouTube Video: Discussion and graphs associated with this article at https://youtu.be/IfPyJ4_DxG8

References

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