



Weekly Outlook: December 1 Corn Stocks

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December 16, 2019

farmdoc daily (9): 233

Recommended citation format: Hubbs, T. "Weekly Outlook: December 1 Corn Stocks." *farmdoc daily* (9): 233, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, December 16, 2019.

Permalink: <https://farmdocdaily.illinois.edu/2019/12/december-1-corn-stocks.html>

Recent announcements on the completion of a phase one trade deal show promise for stronger corn prices in 2020 despite limited details on the actual outlines of the agreement. While we wait on the information associated with the trade agreement, a series of reports come out on January 10 that provides an indication of the direction for corn prices as we move toward planting season. One of the key reports released on that date is the December 1 corn stocks report. Corn stock estimates show the level of corn consumption during the first quarter of the marketing year. The estimate allows for an updated projection of stock levels likely available at the end of the marketing year.

Anticipating the December 1 corn inventories is difficult since the final estimate of the size of the 2019 crop and the scale of consumption during the first quarter of the marketing year are unknown. The December forecast for corn production is correct at 13.66 billion bushels. If the production projection and the consumption level for feed and residual use is on pace to meet the USDA's current forecast during the marketing year, a December 1 stocks estimate calculation is possible using currently known consumption data. A corn production total at projected levels seems like a particularly strong assumption given the amount of corn still in the field in December. Nonetheless, a December 1 stocks estimate near the calculated value under present USDA projections is somewhat bearish for corn prices. An estimate substantially different from the calculated value may result in price movements.

Official Census Bureau export estimates are available for September and October. USDA cumulative weekly export inspection estimates are available through the week ended December 5. Cumulative export inspections for September, October, and November totaled 243 million bushels. Census Bureau estimates through October exceeded cumulative export inspections by 24.3 million bushels. Assuming the same difference continued through November, corn exports during the first quarter of the marketing year were likely very close to 267 million bushels. This export total would be about 365 million bushels less than during the first quarter last year.

Based on estimates in the USDA *Grain Crushings and Co-Products Production* reports, 842.5 million bushels of corn use for ethanol and co-product production occurred in September and October of 2019. The use of corn for the production of those products during November can be estimated based on the U.S. Energy Information Administration (EIA) ethanol production estimate for November. The production estimate for November relies on weekly EIA estimates, which sometimes differ from the subsequent

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monthly estimates. Weekly ethanol production totals pointed to November 2017 ethanol production of 1.317 billion gallons, one percent smaller than production in November 2018. Last November, 454.3 million bushels of corn were used for ethanol and co-product production. A one percent decrease would put November 2019 corn use at 448 million bushels and use during the first quarter of the marketing year at 1.290 billion bushels.

For the 2019-20 marketing year, the USDA projects domestic corn consumption for the production of food, seed, and industrial products other than ethanol at 1.415 billion bushels. The projection is identical to the consumption totals during the previous marketing year. Quarterly consumption for those products is relatively consistent in most marketing years. If USDA projections are correct, the first quarter this year would have resulted in a use level of about 345 million bushels.

The December 1 stocks estimate reveals the size of the feed and residual category for the first quarter of the marketing year. For the year, the USDA has projected feed and residual use of corn at 5.275 billion bushels. In the previous marketing year, feed and residual use for corn totaled 2.287 billion bushels during the first quarter. Over the last five years, first-quarter feed and residual use came in near 42 percent of final marketing year totals. If the current USDA projection is correct, feed and residual use in the first quarter totals 2.211 billion bushels. Given the growth in the livestock sector over the last year, feed and residual use should be proceeding more rapidly than last year. An increase in feed use for corn over 150 million bushels seems possible given the size of the livestock herd in the first quarter.

Corn consumption during the first quarter of the marketing year is estimated to be near 4.11 billion bushels. Stocks of corn at the beginning of the marketing year totaled 2.114 billion bushels. Corn imports during the quarter were likely near seven million bushels. With a crop of 13.66 billion bushels, the corn supply totaled 15.782 billion bushels. The calculation for the December 1 stocks estimate is 11.665 billion bushels, around 268 million bushels lower than last year. A substantial deviation from this estimate looks probable given increased feed usage and significant delays in harvesting that may impact the size of the 2019 crop. A drop in corn production near 200 million bushels or more remains a distinct possibility. This year an unusually broad range of corn stocks estimates for December 1 remains feasible.