



## The Corn Market Works to Explain Itself

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Current USDA supply and demand projections for the upcoming 2025/26 marketing year show ending stocks at relatively low levels, the result of relatively tight carry-in stocks from the previous 2024/25 marketing year. This situation considered in isolation might suggest a return to higher corn prices and improved profitability for corn producers this year. However, new-crop December corn futures have been stuck in a fairly narrow range at price levels that are historically low. Since gapping lower following the Fourth of July holiday, new-crop December corn futures have traded in a fairly narrow range between about \$4.10 and \$4.30 per bushel.

Why haven't USDA's seemingly bullish balance sheet projections coincided with higher prices? The problem lies in part with the nature of balance sheet projection exercise and the timing of USDA releases for estimates of key balance sheet quantities, especially US corn yield. The corn market is forming expectations about unrealized components of the balance sheet that differ substantially from current USDA figures. Discrepancies between the USDA's benchmark balance sheet and market prices are not unusual but they imply some additional uncertainty and volatility. Some of this volatility will be realized soon when the USDA National Agricultural Statistics Service releases its first official corn yield estimates by NASS in August.

### The State of USDA's Corn Balance Sheet

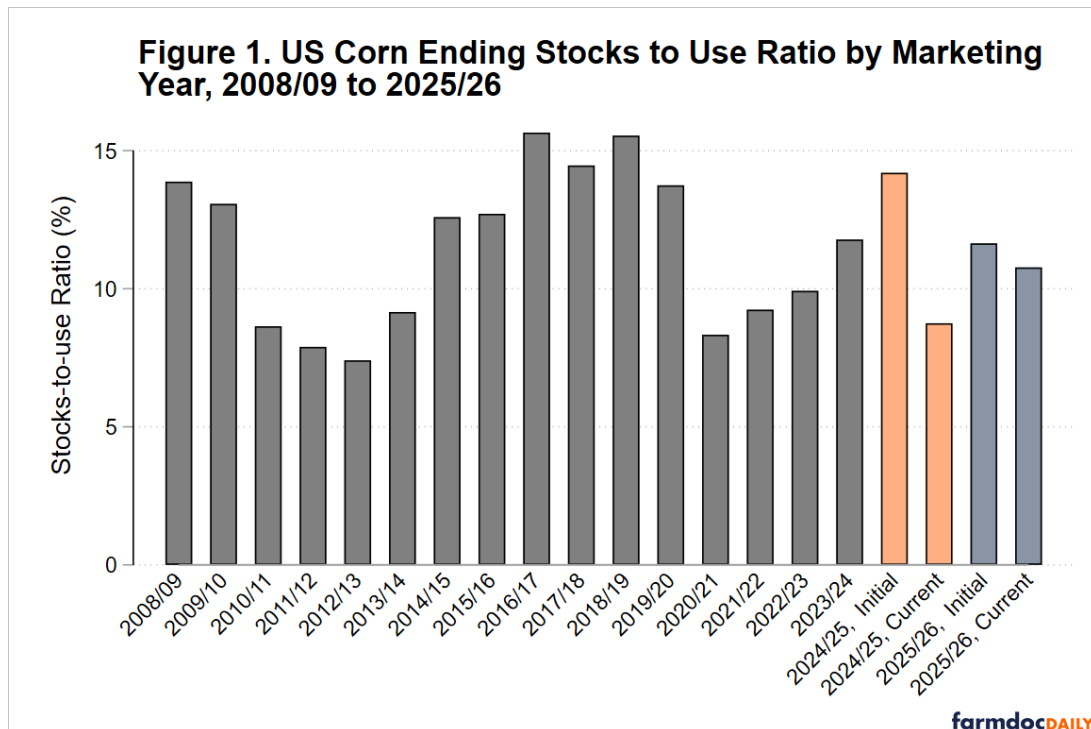
The ending-stocks-to-use ratio summarizes the state of the commodity balance sheet. It is the size of ending stocks relative to the quantity processed or exported in a given marketing year. Figure 1 shows the evolution of the US corn stocks-to-use ratio over time. It also describes changes in USDA estimates for 2024/25 and 2025/26 (where data are not yet final) between the initial and current estimates. Initial estimates are released in May prior to the September 1 start to each marketing year.

The current estimate for 2024/25 US corn ending stocks to use is 8.7%, near the low end of the historical range. This low figure is the result of a series of reductions from the initial estimate of 14.2% released back in May 2024 (shown in Figure 1). The stocks-to-use estimate declined initially because production was slightly lower than expected and later because corn use estimates, especially exports, were

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increased. US corn exports for 2024/25 are now nearly 2.8 billion bushels, 25% higher than the initial forecast of 2.2 billion bushels.

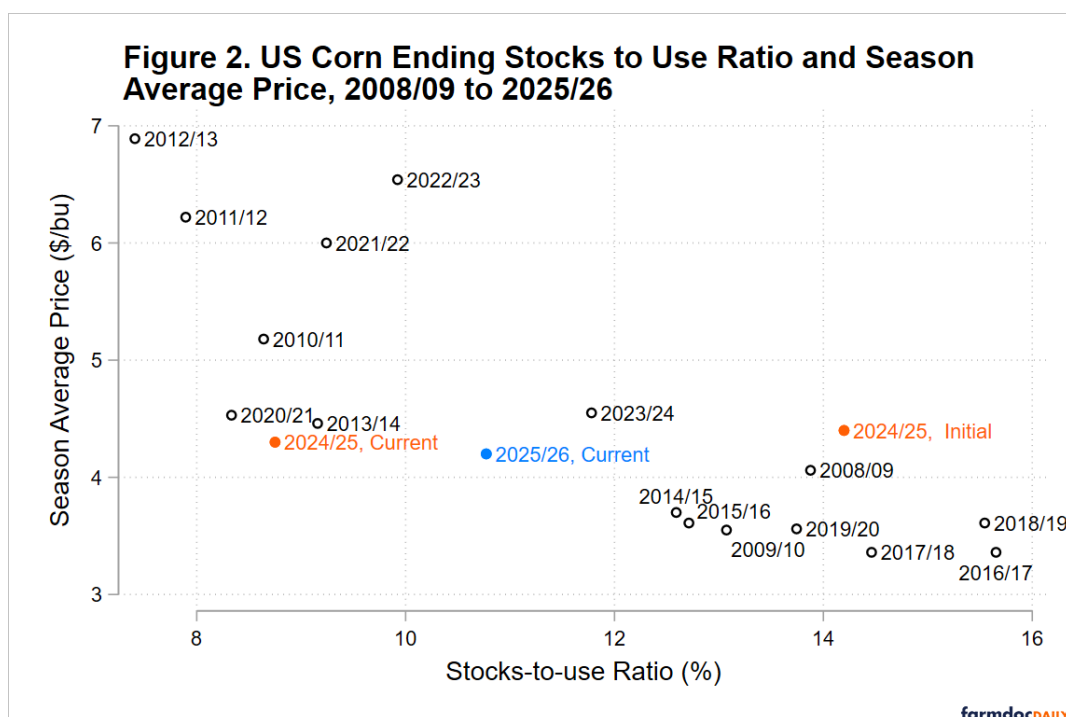


Similar but smaller declines in ending stocks to use have occurred for the 2025/26 US corn balance sheet, albeit over a short window since the initial balance sheet for this crop year was released in May 2025. The current estimate is 10.8%, down from 11.6% back in May. Lower 2025/26 stocks-to-use are mainly due to decreased carry-in stocks from 2024/25 as projections for production and use are little changed over this time.

### Corn Ending Stocks and Price

Decreased expectations for available supply typically imply higher prices. Figure 2 plots the relationship between marketing year ending-stocks-to-use and the USDA estimated season average price. (This relationship was the subject of previous *farmdoc daily* articles, including [Good and Irwin, 2015](#), [Irwin and Good, 2015](#), and [Irwin and Good, 2016](#).) Higher prices are observed when stocks-to-use is low, however the relationship tends to be non-linear. Stocks-to-use typically needs to be below 10% for prices to exceed \$5. There are also a few exceptional years – 2013/14, 2020/21, 2024/25, and perhaps 2025/26 – where US corn prices remained relatively depressed in spite of historically low stocks.

Why is 2024/25 an exception to the typical relationship between corn stocks and price? And why does it currently look like 2025/26 could be another? Key are expectations about corn availability in the next marketing year. High prices may not be necessary to ration scarce supply when market participants expect next year's crop to be large. Low prices for 2024/25 reflect a combination of current year and future supply and demand conditions. Even back in mid-2024 when analysts forecast large 24/25 ending stocks, the market did not anticipate some event that would draw down future inventories. All along, the market has been projecting a continuation of the build in US corn stocks that started after 2020/21.



A second related explanation for low prices in light of low stocks relates to where we are at in the USDA balance sheet construction timeline. In July, the USDA corn balance sheet may not reflect the most up-to-date assessment of supply and demand for the current marketing year. In the case of 2025/26 US corn, current analyst assessments point to higher US corn yield than the 181 bushel per acre long-term trendline yield used by USDA in the July WASDE. For example, StoneX released an estimate of 186.9 bushels per acre on July 15 (Suderman, 2025). However, USDA typically does not update US corn yield until August when it can incorporate NASS forecasts derived from robust data collection efforts. The location of the 2025/26 stocks-price data point in Figure 2 may be very different in a month (and at marketing year end) compared to today.

US corn yields at about 187 bushels per acre would account for substantially all of the discrepancy between the current price forecast and ending stocks seen in figure 2. Plugging this higher yield forecast into the current USDA WASDE corn balance sheet increases stocks-to-use from 10.8 to 14.1%. Based on the historical relationship between stocks-to-use and price in figure 2, a realized 187 US corn yield would be more consistent with a corn price below \$4. Current prices more likely reflect market expectations for yield above the current 181 USDA figure, but below 187. Note that market expectations for corn use may also differ. Whether US corn exports can continue at levels close to the relatively strong 2024/25 campaign is not certain, given the cloudy picture around international trade policy as it pertains to US agriculture.

### Implications

Agricultural commodity prices incorporate expectations about future supply and demand conditions. This simple fact is central to explain relatively low new-crop corn prices. So long as markets anticipate sufficient corn availability in the future, especially when that future is near (as the 2025 harvest will come to market in just a few months), current price levels may remain low. This analysis implies the price reaction to the August USDA NASS yield estimate may be more muted than normal if the estimate comes in well above the current WASDE trendline estimate. While USDA NASS yield estimates may still surprise the corn market, the market appears to be pricing in a robust harvest by US corn farmers.

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