



Monthly Review of Corn Consumption

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The pace of corn consumption remains mixed relative to the current USDA projections for the marketing year. Following is an update of the monthly analysis of the pace of corn consumption by category that we began in September.

Last week, the U.S. Energy Information Administration (EIA) reported that September 2014 ethanol production totaled 1.158 billion gallons, nearly eight percent more than produced in September 2013. The year over-year-increase reflected an increase in net exports of ethanol and a small build-up in stocks. Domestic consumption during September 2014 was only 0.4 percent above that of September 2013. Weekly EIA estimates indicate that ethanol production in October this year exceeded that of last year by 2.2 percent and that production in the first three weeks of November was 5.2 percent larger than during the same period last year. Production during the week ended November 21 was a record 288.7 million gallons, which is an annual rate of 15.05 billion gallons. Ethanol production during the first quarter of the 2014-15 marketing year was likely about five percent larger than during the same quarter last year. Corn used for ethanol production may have been up slightly more than five percent as corn represented a larger share of the ethanol feed stock.

For the year, the USDA has projected corn used for ethanol production during the 2014-15 marketing year at 5.15 billion bushels, only 0.3 percent more than used last year. Corn use during the last three quarters of the year would have to be one percent less than use of a year ago to meet that projection. Domestic ethanol consumption may plateau during the current corn marketing year, following a three percent increase last year, if lower crude oil and gasoline prices make higher ethanol blends uncompetitive. Continued increases in ethanol production, then, would require a continuation of the growth in the net export balance. That balance is difficult to gauge due to changing crude oil, gasoline, and ethanol price relationships, but a decline in the trade balance is not anticipated. At this juncture, it appears likely that corn used for ethanol production this year will at least reach the current USDA projection.

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The USDA projects 2014-15 marketing year corn exports at 1.75 billion bushels, 8.7 percent less than exported last year. With only a partial reporting week left in the first quarter of the marketing year, cumulative export inspections exceed those of a year ago by 11 percent. Last year, however, weekly export inspections were relatively small early in the year and were quite large in the last half of the marketing year. To date, export inspections have averaged only 28.4 million bushels per week. Census Bureau export estimates for September exceeded export inspection estimates by 11 million bushels. If that margin has persisted, exports need to average nearly 35 million bushels per week during the final three quarters of the year in order to reach the USDA projection. Unshipped export sales as of November 20 were reported at 514 million bushels, 208 million less than outstanding sales a year earlier. Export commitments (shipments plus outstanding sales) are 13 percent smaller than those of a year earlier. New sales, however, were large during the last two reporting weeks ended November 20. New sales averaged 36.5 million bushels per week, compared to the average of 22.2 million bushels that is now needed for sales to reach the projected level of 1.75 billion bushels for the year. The current pace of corn export sales is encouraging, but the pace of shipments clearly needs to accelerate.

The USDA projects feed and residual use of corn during the current marketing year at 5.375 billion bushels, 243 million bushels (4.7 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, 2014, will be released on January 12, 2015. Until then, the likely pace of feed use of corn is derived mainly from estimates of livestock slaughter and livestock and poultry inventories. Weekly broiler chick placements continue to run about 2.5 percent above placements of a year earlier and the average number of layers on hand in September and October was two percent larger than the inventory of last year. The number of dairy cows is up about one percent year-over-year. As of November 1, the number of cattle in feedlots with capacity of at least 1000 head was up about 0.5 percent, as cattle are being fed to heavier weights. The number of hogs slaughtered in October was down about four percent from that of last year, but the average weight per hog was up nearly three percent. The next report of the size of the hog inventory, to be released on December 23, is expected to confirm plans for expanded production. While expanding livestock production points to increased feed use of corn, the magnitude of residual use is difficult to anticipate.

The USDA will update the projections of marketing year corn consumption on December 10. The current pace of consumption suggests that the projection of total consumption will be little changed from the November projection. Corn prices have settled into a trading range of about \$0.25 since late October. That range is expected to persist at least until the final production estimate and December 1 stocks estimate are released on January 12, 2015.

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<http://farmdoc.illinois.edu/marketing/weekly/html/120114.html>