



Monitoring Corn and Soybean Consumption

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The corn and soybean markets appear to be expecting the USDA's already very large U.S. production forecasts to be increased in the October 10 *Crop Production* report. Larger crop expectations stem from expectations for higher yield forecasts, with some disagreement about the prospects for changes in acreage estimates. The implication of large crops for the magnitude of year-ending stocks obviously depends on the consumption response. As indicated in earlier articles ([August 11](#) and [August 25](#)), the markets will continue to monitor the pace of consumption relative to USDA projections in order to form expectations of the magnitude of year ending stocks.

Some of the consumption response can be monitored directly from periodic reports of exports and export sales, ethanol production, the domestic soybean crush, and crop inventories. Other responses can be monitored only indirectly from estimates of livestock inventory and livestock production intentions. For corn, the USDA has projected 2014-15 marketing year exports at 1.75 billion bushels, 175 million less than exported last year. The expected decline in exports reflects an expected decline in world trade, not a loss of market share. The USDA's weekly *Export Sales* report indicated that as of September 11, 513.3 million bushels of U.S. corn had been sold for export during the current marketing year. That total is only 7 million bushels less than sales of a year earlier even though sales to China are down by 122 million bushels. Sales are larger to Japan and several western hemisphere countries, particularly, Columbia. Export inspections during the first 3.5 weeks of the marketing year were about twice as large as in the same period last year. The variation in the seasonal pattern of both export sales and shipments from year to year, however, means that early season activity is not always a good indicator of marketing-year export demand. Still, the current pace of export activity is encouraging.

The USDA has projected marketing year ethanol use of corn at 5.125 billion bushels, equal to use of the past year. With prospects for limited increase in domestic consumption of ethanol, the year-over-year change in ethanol production and corn consumption will primarily reflect changes in trade activity. Current prospects favor a continuation of large net exports of ethanol for the U.S. this year. Ethanol production in the first half of September was about 10 percent larger than production of a year earlier, but

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stocks also increased to an 18-month high. At this early stage, expectations for corn consumption for ethanol do not differ from the USDA projection.

The USDA has projected marketing year feed and residual use of corn at 5.325 billion bushels, 150 million bushels larger than the current forecast of last year's consumption. The estimate of last year's consumption will be finalized with the release of the September 1 stocks estimate on September 30. Indicators of feed and residual use of corn are limited and forming expectations about use is made difficult by the varying magnitude of residual use from year to year. Use is revealed quarterly based on the USDA's quarterly *Grain Stocks* report. Still, livestock numbers are monitored, along with the price relationships of various feed ingredients, to gauge prospects for underlying feed demand for corn. The most recent USDA reports reveal a modest year-over year expansion of one to two percent in the number of broiler chicks placed on feed, an increase of about 0.5 percent in the number of dairy cows, and about one percent fewer cattle on feed. The USDA's quarterly *Hogs and Pigs* report to be released on September 26 will be closely watched for any signs of expansion in the pork sector.

For soybeans, the USDA projects the 2014-15 marketing year crush at 1.77 billion bushels, 40 million more than crushed the previous year. The National Oilseed Processor Association (NOPA) crush report for September, to be released on October 15, will provide the first look at the pace of crush this year. Marketing year exports are projected at 1.7 billion bushels, 55 million bushels larger than exports of last year. The USDA's weekly *Export Sales* report indicated that as of September 11, 935.7 million bushels of U.S. soybeans had been sold for export during the current marketing year, 95 million more than sales of a year earlier. Most of that increase was to unknown destinations, with sales to China down about 40 million bushels. Since September 11, however, the USDA has reported export sales of about 81 million bushels under its requirement to report large daily sales. Similar large sales were made during the same period last year. Exports during the first 3.5 weeks of the marketing year were quite small, as is normally the case, but were larger than shipments in the same period last year. As with corn, conclusions about marketing year export prospects are difficult to draw from early season activity, but the current pace of sales is encouraging.

As a whole, current indicators of corn and soybean consumption do not point to 2014-15 marketing year consumption that would deviate much from the current USDA projections. Those projections will be updated on October 10, with the September 30 *Grain Stocks* report to provide some insight into the recent pace of feed and residual use of corn.

References

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<http://farmdoc.illinois.edu/marketing/weekly/html/092214.html>