



Looking for a Corn Consumption Response

Darrel Good

Department of Agricultural and Consumer Economics
University of Illinois

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In the newsletter of [August 11](#), the prospects for corn consumption to respond to lower prices during the 2014-15 marketing year and the potential for a subsequent price recovery were discussed. With the start of the new marketing year only a week away, the process of monitoring corn consumption and corn consumption prospects in the three major categories of feed, ethanol, and exports is underway. Not much is yet known about consumption prospects, but we start what will be an ongoing process of updating those expectations.

In the case of feed and residual use of corn, the USDA's quarterly Grain Stocks reports are the only source of data on actual consumption. The September 1, 2014 corn stocks estimate to be released on September 30 will allow the calculation of the magnitude of feed and residual use of corn for the final quarter of the 2013-14 marketing year and will provide some guidance for potential use during the year ahead. Expectations of feed use for the year will be derived primarily from weekly, monthly, and quarterly USDA reports of livestock and poultry inventories. Feed use of corn will not receive much support from the beef sector. The liquidation of the cow herd and the smaller calf crops of the past few years mean there are fewer cattle available for feeding and that deficit will continue for an extended period. The USDA reported that for feedlots with capacity of 1000 head or more, there were two percent fewer cattle on feed as of August 1 this year than on August 1 last year. Seven percent fewer cattle were placed on feed during July 2014 than during July 2013.

The poultry and dairy sectors, however, appear to be experiencing some very modest expansion. The USDA reported that the number of broiler chicks placed for meat production during the two weeks ended August 16 was up two and one percent, respectively, compared to placements of a year earlier. Two weeks do not constitute a trend, so that placements will continue to be followed closely to determine if expansion is actually underway. The average number of layers has been running one to two percent above those of a year ago each month this year. The USDA also reported that milk cow numbers in 23 selected states were up about one percent in July.

The most uncertainty about livestock production comes from the hog sector. The USDA reported that the June 1 inventory of market hogs was five percent smaller than the inventory of a year earlier, but

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producers expected to increase the number of sows farrowed by four percent in the June-September quarter. Production prospects continue to be clouded by the ongoing impact of the PED virus on the number of pigs actually weaned. The USDA's monthly Livestock Slaughter report showed a seven percent year-over-year decline in hog slaughter in July. That decline was partially offset by a five percent increase in average slaughter weight. The USDA's Hogs and Pigs report to be released on September 26 will provide additional information about pork production prospects during the 2014-15 corn marketing year. Since feed consumption of corn includes an unknown and sometimes surprising "residual" component, only the quarterly stocks estimates will provide a measure of actual disappearance.

It now appears that domestic ethanol production during the 2013-14 corn marketing year will reach a record 14.15 billion gallons, about 2.5 percent more than produced in 2011-12 and about 10 percent more than produced in 2012-13. Corn consumed for ethanol production during the marketing year just ending will be near 5.13 billion bushels. As indicated two weeks ago, ethanol production and corn consumption during the year ahead should continue to be supported at a high level, with the strength of exports likely to determine whether expansion continues. Export data are revealed monthly, with a lag of about six weeks.

Sales of U.S. corn for export during the 2014-15 marketing year were reported at 365 million bushels as of August 14. Sales are about 50 million bushels smaller than those of a year ago, but about 60 million bushels larger than the average for the years 2008 through 2012. Last year, China had purchased 117 million bushels of U.S. corn, compared to essentially none this year. Sales to unknown destinations are also down about 40 million bushels. On the other hand, sales to Japan and South American destinations are larger than those of a year ago. Total export sales as of August 14 accounted for 21 percent of the USDA's projection of total marketing year exports, about the same as sales of a year earlier. The level of export sales to date is in line with USDA's projection of exports for the year. However, the seasonal pattern of sales varies from year to year so that it is not yet known whether the current level of sales reflects only timing decisions or is indicative of total export potential.

There are some early signs that corn consumption during the year ahead will increase modestly in response to lower prices. However, that response is not yet large enough to offset the impact of the market expectation of an even larger corn crop than forecast by USDA two weeks ago. Corn prices are expected to stay under some pressure at least through the USDA's September 11 Crop Production report. The size of the corn crop forecast in that report will be important in determining where the low may be in the corn market.

Also available at:

<http://farmdoc.illinois.edu/marketing/weekly/html/082514.html>

References

Good, D. "[Prospects for Corn Consumption](#)." *farmdoc daily* (4):149, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, August 11, 2014.