



Weekly Outlook: How Big Is the Market for U.S. Corn?

Darrel Good

Department of Agricultural and Consumer Economics
University of Illinois

July 18, 2016

farmdoc daily (6):134

Recommended citation format: Good, D. "Weekly Outlook: How Big Is the Market for U.S. Corn?" *farmdoc daily* (6):134, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, July 18, 2016.

Permalink: <http://farmdocdaily.illinois.edu/2016/07/how-big-is-the-market-for-us-corn.html>

Record large U.S. corn acreage and prospects for the average yield to be near trend value point to another large crop this year. The USDA projection of acreage harvested for grain of 86.55 million acres and trend yield of 168 bushels per acre point to a crop of 14.54 billion bushels.

At the projected level, the 2016 crop would be 939 million bushels larger than the 2015 crop and 324 million bushels larger than the previous record crop of 2014. With carryover stocks of 1.701 billion bushels and imports of 40 million bushels, the supply of corn for the 2016-17 marketing year would total 16.281 billion bushels, 889 million bushels larger than last year's supply and 802 million bushels larger than the previous record supply for the 2014-15 marketing year. To prevent an increase in year-ending stocks to a burdensome level, corn use during the upcoming marketing year needs to be large. In the July 12 WASDE report, the USDA projected use during the current marketing year at 13.692 billion bushels and use during the upcoming marketing year at 14.2 billion bushels. Those projections have been generally characterized as generous.

Corn exports during the current marketing year are projected at 1.9 billion bushels. Outstanding export sales are large enough for exports to reach that level, but with just under seven weeks left in the year, shipments will need to average about 52.5 million bushel per week to reach that level. Export inspections for the six weeks ended July 14 averaged 54.3 million bushels per week, a pace slightly higher than needed to reach the USDA projection. Exports during the 2016-17 marketing year are projected at a nine year high of 2.05 billion bushels. The relatively large projection reflects the shortfall in the 2016 Brazilian corn crop and expectations that the U.S. will gain export market share in the upcoming year. The Brazilian crop is estimated at 2.756 billion bushels, 591 million bushels smaller than the 2015 crop. Brazilian exports totaled 1.357 billion bushels last year and are projected at only 728 million bushels this year and 866 million bushels next year. As of July 7, outstanding export sales of U.S. corn for delivery during the 2016-17 marketing year were reported at 243 million bushels, the largest for that date in three years and 139 million larger than on the same date last year.

Corn used for production of ethanol and co-products during the current marketing year is projected at 5.225 billion bushels, 25 million more than used in the previous year. Use during the first three quarters of the year totaled 3.865 billion bushels, equal to use of a year ago. While ethanol production has exceeded that of a year ago, more sorghum has been used as a feedstock. Use during the final quarter will need to

We request all readers, electronic media and others follow our citation guidelines when re-posting articles from *farmdoc daily*. Guidelines are available [here](#). The *farmdoc daily* website falls under University of Illinois copyright and intellectual property rights. For a detailed statement, please see the University of Illinois Copyright Information and Policies [here](#).

total 1.36 billion bushels in order for the marketing year total to reach 5.225 billion bushels. That is 1.9 percent more than used in the same quarter last year. Ethanol production in June and so far in July has been about 1.3 percent larger than production of a year ago. It appears that corn use could fall just short of the USDA projection unless ethanol production accelerates and/or the use of sorghum as a feedstock declines. Corn used for ethanol production in the upcoming marketing year is projected at 5.275 billion bushels. Ethanol production should be supported by increased domestic gasoline consumption resulting from low prices and continued strong ethanol exports. Corn use should be further supported by a modest reduction in the amount of sorghum used as a feedstock for ethanol production.

Domestic feed and residual use of corn during the current marketing year is projected at 5.2 billion bushels. Use during the first three quarters of the year totaled 4.551 billion bushels, so that summer use needs to be 649 million bushels in order for marketing year use to reach the projected level. Use at that level would be 107 million bushels larger than use of a year ago and the largest use in seven years. On the surface, such large use seems unlikely given the expected increase in wheat feeding this summer. However, given the large variation in quarterly use from year to year that total cannot be ruled out. Use will be revealed with the USDA's September 1 stocks estimate to be released on September 30. Feed and residual use during the upcoming marketing year is projected at a nine year high of 5.5 billion bushels. Use should be supported by abundant corn supplies, low corn prices early in the marketing year, and a modest expansion in livestock production. The USDA projects a 1.4 percent year-over-year increase in the number of grain consuming animal units. An important unknown is the level of wheat feeding during the summer of 2017.

While the 508 million bushel (3.7 percent) increase in the consumption of U.S corn projected for the upcoming marketing year is large, an examination of use by category suggests that the projections are very reasonable. Still, stocks of U.S. corn are likely to increase by the end of the 2016-17 marketing year. The magnitude of that increase will be largely determined by the size of the crop. Crop size will be determined by weather conditions over the next six weeks or so. The USDA will release the first survey-based forecast of crop size on August 12.