



## Weekly Outlook: Anticipating December 1 Corn Stocks

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The USDA releases the estimate of corn stocks held in the U.S. on January 12. On the same date, the final estimate of the size of the 2017 corn crop is revealed. The estimates show the level of corn consumption during the first quarter of the 2017-18 marketing year. These estimates allow for an updated projection of the level of stocks likely to be on hand at the end of the marketing year and will provide an indication of the direction for corn prices through the spring.

Anticipating the December 1 corn inventories is difficult since the final estimate of the size of the 2017 crop and the scale of consumption during the first quarter of the marketing year are unknown. Given the November forecast for corn production is correct at 14.58 billion bushels and the consumption level for feed and residual use is on pace to meet the USDA's current projection during the 2017-18 marketing year, a December 1 stocks estimate can be calculated using currently known consumption data. A December 1 stocks estimate near the calculated value can be considered neutral for corn prices. An estimate substantially different from the calculated value may result in price movements.

Export totals are readily available during the first quarter of the marketing year. Official Census Bureau export estimates are available for September and October. USDA cumulative weekly export inspection estimates are available through the week ended December 10. Cumulative export inspections for September, October, and November totaled 246 million bushels. Census Bureau estimates through October exceeded cumulative export inspections by 32.5 million bushels. Assuming the same difference continued through November, corn exports during the first quarter of the marketing year were likely very close to 342 million bushels. This level of exports would be about 206 million bushels less than during the first quarter last year.

Based on estimates in the USDA Grain Crushings and Co-Products Production reports, 915.6 million bushels of corn were used for ethanol and co-product production in September and October of 2017. Use of corn for the production of those products during November can be estimated based on the U.S. Energy Information Administration (EIA) ethanol production estimate for November. The production estimate for November is based on weekly EIA estimates which sometimes differ from the subsequent monthly estimates. Weekly estimates pointed to November 2017 ethanol production of 1.352 billion gallons, 6 percent larger than production in November 2016 when 451.9 million bushels of corn were used for ethanol and co-product production. A 6 percent increase would put November 2017 corn use at 479 million bushels and use during the first quarter of the marketing year at 1.395 billion bushels. Thus far this marketing year,

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less sorghum has been used for ethanol production and this appears to have continued into November. Corn use during the quarter is estimated at 1.4 billion bushels.

For the 2017-18 marketing year, the USDA projects domestic corn consumption for the production of food, seed, and industrial products other than ethanol at 1.46 billion bushels. The projection is 0.5 percent larger than consumption during the previous year. Quarterly consumption for those products is relatively consistent in most marketing years. A 0.5 percent year-over-year increase in the first quarter this year would have resulted in a use level of about 350 million bushels.

The December 1 stocks estimate reveals the size of the feed and residual category for the first quarter of the marketing year. For the year, the USDA has projected feed and residual use of corn at 5.575 billion bushels, up substantially from the estimate of 5.463 billion bushels used in the 2016-17 marketing year. An estimate of 2.274 billion bushels of corn was used in the feed and residual category during the first quarter of the marketing year last year. Given the growth in the livestock sector over the last year, feed and residual use should be proceeding more rapidly than last year. If the USDA projection is correct, feed and residual use in the first quarter is projected at 2.342 billion bushels.

Corn consumption during the first quarter of the marketing year is estimated to be near 4.434 billion bushels. Stocks of corn at the beginning the marketing year totaled 2.295 billion bushels and imports during the quarter were likely near four million bushels. With a crop of 14.578 billion bushels, the corn supply totaled 16.877 billion bushels. The calculation for the December 1 stocks estimate is 12.45 billion bushels, around 63 million bushels lower than last year. Since the current supply is quite large, a substantial deviation from this estimate may be necessary to generate a price reaction this marketing year.

**Note: This is the last issue of the Weekly Outlook Newsletter for 2017. The next issue will be released on January 2, 2018.**