



## Weekly Outlook: Anticipating September 1 Stocks for Soybeans and Corn

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September 23, 2019

*farmdoc daily* (9): 177

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Recommended citation format: Hubbs, T. “[Anticipating September 1 Stocks for Soybeans and Corn](#)” *farmdoc daily* (9): 177, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, September 23, 2019.

Permalink: <https://farmdocdaily.illinois.edu/2019/09/anticipating-september-1-stocks-for-soybeans-and-corn.html>

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The USDA releases the Quarterly Grain Stocks report on September 30. The report indicates soybean and corn use during the fourth quarter of the 2018-19 marketing year. Soybean stocks may be in line for a move lower while corn stocks look to stay near current USDA estimates.

Soybean stocks look to show expanded use in the fourth quarter. Soybean supply entering the fourth quarter of the marketing year totaled 1.79 billion bushels based on the June 1 stocks report. An estimate of soybean imports for the fourth quarter using Census Bureau data came in at approximately 3.1 million bushels. The total supply for the quarter comes in at 1.793 billion bushels.

The USDA's *Oilseed Crushings, Production, Consumption and Stocks* reported soybeans crushed for June and July at 337 million bushels. For the last three months, the USDA monthly crush estimates exceeded the NOPA crush estimates by 6.5 percent. A continuation of the margin for USDA monthly crush estimates above the NOPA August crush estimate indicates a fourth-quarter crush of 516 million bushels of soybeans.

Soybean export calculations come from USDA weekly export inspection reports and Census Bureau export estimates. The USDA's weekly export inspections report shows marketing year inspections of 1.695 billion bushels. Through the first eleven months of the marketing year, cumulative Census export estimates exceeded inspections by 57 million bushels. If that margin persisted through August, cumulative exports reached 1.752 billion bushels. Exports during the fourth quarter totaled 439 million bushels.

Calculating the level of seed and residual use of soybeans during the fourth quarter of this year comes with some difficulty. The seasonal pattern of seed and residual use traditionally shows positive levels in the first half of the year and negative in the last half of the year. Use through the first three quarters this year is estimated at an unusually high 311.6 million bushels based on the June 1 stocks estimate.

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Current seed and residual use estimates by USDA places 2018-19 marketing year levels at 164 million bushels. The estimate implies a fourth quarter use of -147.6 million bushels and suggests a possible downward revision in last year's soybean crop. By using second half seed and residual use for the five years preceding years, consumption in this category during the fourth quarter totals -123 million bushels.

Total consumption of soybeans during the fourth quarter of the marketing year is calculated to be near 832 million bushels. With supply during the quarter estimated at 1.793 billion bushels, September 1 soybean stocks total approximately 961 million bushels. A September 1 stocks total at this level is 44 million bushels below the USDA estimate of 1.005 billion bushels. The magnitude of seed and residual use during the fourth quarter creates a higher level of uncertainty for this year's stocks estimate. Lower than expected stocks looks to provide some support for soybean prices.

The supply of corn available on June 1 of the marketing year is the base for estimating September 1 stocks. Corn stocks started the quarter at 5.202 billion bushels based on the June Grain Stocks report estimate. Currently, the Census Bureau estimates for corn imports are only available through July. Imports for the fourth quarter are on pace to total near 8 million bushels. By combining imports with the beginning stocks, total available supply for the fourth quarter comes in at 5.210 billion bushels.

An estimate of corn exports for the fourth quarter uses the cumulative weekly export inspections estimate available for the entire quarter. By using the relationship between Census Bureau corn exports and export inspections during the first eleven months of the marketing year, corn exports equaled 2.058 billion bushels. Since exports in the first three-quarters of the marketing year totaled 1.719 billion bushels, the estimate for fourth-quarter corn exports equals 339 million bushels.

The *Grain Crushing and Co-Products Production* report released on September 3 estimated corn use for ethanol production during June and July at 907 million bushels. Weekly estimates of ethanol production provided by the Energy Information Administration shows ethanol production totals in August. By calculating the amount of corn used to produce ethanol from these August numbers, corn use during the month totaled around 445 million bushels. Total consumption for the quarter sits at 1.352 billion bushels.

Corn used to produce other food and industrial products during the marketing year is estimated at 1.43 billion bushels by the USDA. Using historical corn use data, typically around 25 percent of food and industrial product use occurs in the last quarter of the marketing year. If this historical pattern holds and the USDA projection is correct, corn use for the fourth quarter totaled 357 million bushels.

The current USDA projection for feed and residual use sits at 5.275 billion bushels. Consumption during the first three-quarters totaled 4.594 billion bushels. To reach the USDA estimate for the year, fourth-quarter feed and residual use must equal 681 million bushels. Lower ethanol production created fewer feed by-products over the fourth quarter, but wheat moving into feed rations may mitigate increases in corn feed use. By using the historical relationship for fourth-quarter feed and residual use during elevated livestock herd levels, the estimate for feed and residual use during the fourth quarter totals 710 million bushels.

By adding the estimates for exports and domestic uses, the total consumption of corn during the fourth quarter is estimated at 2.758 billion bushels. The overall use estimate for the fourth quarter places September 1 corn stocks at 2.452 billion bushels. At this level, September 1 stocks come in 7 million bushels above the estimated September 1 corn stocks by the USDA. A significant deviation from current stock expectations would indicate a considerable adjustment in feed and residual use.

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