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A Mixed Pace of Corn and Soybean Consumption

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With the large U.S. corn and soybean crops this year, we have underscored the importance of consumption and the size of year-ending stocks for longer term price direction. Extremely large year ending stocks would increase the probability of prolonged surpluses and relatively low prices while more modest year-ending stocks would open the door for a quicker recovery in prices.

The pace of consumption was last updated in the [September 22 article](#), with the conclusion that consumption of both corn and soybeans was on pace with the USDA's projections. The USDA subsequently increased the projection of marketing year feed and residual consumption of corn by 50 million bushels (one percent) in spite of the September 1 stocks estimate that implied a slower than expected rate of use in the final quarter of the 2013-14 marketing year. The larger projection reflected lower corn prices and a larger crop forecast that carried the potential for larger residual use of corn.

The USDA projections of marketing year consumption will be updated on November 10. The larger projection of feed and residual use of corn made last month is being supported by an increase in production of livestock and livestock products. The number of broiler type chicks placed on feed during the four weeks ended October 25 was three percent larger than placements of a year earlier. The average number of layers on hand during September was two percent larger than the inventory of a year ago and the number of milk cows was up one percent. The summer pig crop was about one percent smaller than the crop of a year earlier, but producers indicated they would expand fall and winter farrowings by four percent. The number of cattle placed on feed during September 2014 in feedlots with capacity of more than 1000 head was one percent larger than during the previous September and the October 1 inventory on feed was down only one percent. Placements remain large in context of the reduced inventory of feeder cattle, but those placements may have been partially offset by reductions in placements in smaller feedlots.

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Based on weekly estimates from the U.S. Energy Information Administration, ethanol production in September this year was six percent larger than production a year earlier and production in October was running two percent ahead of last year's pace. Declining imports, larger exports, and a slight increase in domestic ethanol consumption suggests that ethanol production may exceed early expectations and corn consumption could exceed the current USDA projection of 5.125 billion bushels.

The pace of corn export sales and export inspections have been very erratic in the first two months of the marketing year. Inspections exceed the very slow pace of a year earlier, but the most recent weekly pace of both sales and inspections are running behind that needed to reach the USDA projection of 1.75 billion bushels for the year. Inspections now need to average 34 million bushels per week to reach that projection.

For soybeans, the USDA has projected marketing year exports at 1.7 billion bushels, 3.2 percent larger than exports last year. Through October 30, cumulative export inspections exceeded those of a year ago by 17 percent and unshipped sales as of October 23 were five percent larger than those of a year earlier. Export commitments are larger for every major buyer. Export prospects will hinge partly on the outcome of the South American crop. Some dryness was experienced in southern Brazil early in the planting season, but conditions are reportedly improving. At this juncture it appears that the large USDA export projection is still within reach.

The domestic soybean crush during September 2014, as reported by the National Oilseed Processors Association (NOPA), was eight percent smaller than in September 2013. For the year, the USDA has projected a two percent increase in the domestic crush. The small September crush was attributed to the small available supply of soybeans rather than poor product demand. Domestic soybean meal demand should be supported by increasing livestock production. Soybean meal export commitments as of October 30 were 37 percent larger than those of a year earlier and accounted for 59 percent of the USDA's export projection for the year. The domestic soybean crush has likely accelerated rapidly since September, supported by larger soybean supplies, a large increase in soybean meal prices, and extremely favorable crush margins.

Overall, it appears that corn and soybean consumption early in the marketing year is on pace to reach the USDA's projections, although the pace of corn exports and export sales are of some concern. Without a change in the production estimates, consumption at the projected levels would result in year-ending stocks-to-use ratios of 15.2 percent and 12.6 percent for corn and soybeans, respectively. Stocks at those levels are large relative to the recent period of very high prices, but provide only a modest buffer for smaller crops. Stocks at the projected levels do not point to a multiple year period of very low prices.

The risk to a further recovery in corn and soybean prices in the near term comes from the supply side. Production forecasts will be updated on November 10. Those forecasts will reflect updated yield forecasts and perhaps updated acreage estimates. Acreage estimates incorporate FSA acreage data which were not as complete as usual in October.

Reference

Good, D. "[Monitoring Corn and Soybean Consumption](#)." *farmdoc daily* (4):182, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, September 22, 2014.

Also available at:

<http://farmdoc.illinois.edu/marketing/weekly/html/110314.html>