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Weekly Outlook: Corn Use Prospects

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The USDA *World Agricultural Supply and Demand Estimates* released on [November 9](#) reported a significant increase in corn yield for the 2016/17 marketing year. The yield increase is placing downward pressure on corn prices due to the supply concerns associated with the projected historic production in the United States. A closer consideration of corn consumption prospects for the marketing year can help clarify the uses for this crop.

United States corn production is projected to be 15.2 billion bushels due to a 1.9 bushel per acre increase in projected corn yield. This yield increase came in at a higher level than pre-report estimates expected. The Crop Production report released on November 9 indicated the increase in yield was particularly strong in the states of the western Corn Belt. Nebraska and South Dakota increased projected corn yields by 3 bushels per acre over the October numbers. Minnesota corn yields increased 4 bushels per acre while North Dakota yields increased a surprising 17 bushels per acre over October's yield projection. In total, the yield increases in the four states over the October projections increased corn production by 132 million bushels. In conjunction with the already large yields in the rest of the nation, a record corn crop was created. The increased yield for the corn crop creates a scenario where the ending stocks to use ratio for the United States is projected to be 16.4 percent under current consumption projections. A level not seen since the 2005/06 marketing year.

The USDA projects 2016/17 marketing year corn exports to be 2.225 billion bushels. Census Bureau estimates for September corn exports were 248 million bushels. This was an 89 percent increase over September estimates of the previous year and provides confirmation of the strong corn export numbers expressed in weekly export sales reports. New sales need to average 27.8 million bushels per week to meet the USDA projection for the marketing year. The current pace of corn exports gives encouragement to meeting the export projection despite speculation on South American corn production and export possibilities.

Food, seed, and industrial use projections increased 85 million bushels to a total of 6.735 billion bushels. Since 25 million of the increase is related to corn used for ethanol, a 60 million bushel increase is projected for non-ethanol food, seed, and industrial uses. The November 9 report indicated increased usage for the non-ethanol category for the 2013/14 and 2015/16 marketing year as well based on updated usage

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estimates. Clarification of the changes is expected in the upcoming Feed Outlook report on Monday, November 14.

Corn used for ethanol projections increased by 25 million bushels in the recent report to reach 5.3 billion bushels. Corn crushed for ethanol in the recent grain crush report was 2 percent higher for September than the previous year. The 435 million bushels crushed for fuel ethanol reflect the strong domestic gasoline demand this year continued through the early fall. The United State Energy Information Agency reports ethanol production and ethanol stocks for the week ending November 4 were 2 percent higher than last year. The strong ethanol production and gasoline demand thus far provides good prospects of reaching the corn used for ethanol projection.

The USDA project feed and residual use of corn during this marketing year to be 5.65 billion bushels. This is a 10 percent increase over the 2015/16 marketing year estimate. Livestock numbers are at high levels. Cattle on feed for 1000+ capacity feedlots on October 1 was equivalent to the 2015 numbers for the same period. Dairy cow number are .4% higher than 2015 for the third quarter of 2016. Weekly broiler chick placements through September and October of 2016 are running at approximately 2 percent higher than the placements last year. The average number of layers on hand in August and September were up 7 percent from the layer numbers on hand in 2015. Hog slaughter numbers year to date are up 1.6 percent while pork production is up 1 percent. Despite strong livestock inventory numbers, there are a number of mitigating factors influencing feed use. Uncharacteristically mild weather this fall, an increased availability of wheat feed, and increased distiller's grain availability from the higher levels of ethanol production combined with reduced exports to China create concern for feed projections. The pace of feed use can be measured by using USDA quarterly corn stock estimates. The December 1, 2016 corn stock estimate will be released on January 12, 2017 with the quarterly grain stock report. While increasing livestock numbers give an indication of increased feed use, the mitigating factors make this a report to monitor given the major increase in feed and residual projections and large corn crop production. The ability to anticipate residual use magnitude is difficult.

While a deserved focus has been placed on corn exports, foreign production, and corn used for ethanol, a major portion of each corn crop is fed to livestock. Given the large projected increase for feed and residual in 2016/17 marketing year, monitoring feed and residual use projections will be important for the marketing year ending stocks and corn use totals.

Reference

USDA, National Agricultural Statistics Service. *World Agricultural Supply and Demand Estimates Report (WASDE)* (November 2016). Released November 9, 2016.

<http://usda.mannlib.cornell.edu/usda/waob/wasde//2010s/2016/wasde-11-09-2016.pdf>