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A Breath of Optimism for Corn in a Down Market

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October 7, 2024

farmdoc daily (14): 182

Ag Market Insights

Recommended citation format: Janzen, J. "A Breath of Optimism for Corn in a Down Market." *farmdoc daily* (14): 182, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, October 7, 2024.

Permalink: <https://farmdocdaily.illinois.edu/2024/10/a-breath-of-optimism-for-corn-in-a-down-market.html>

The long-run and short-run narratives in the corn market have diverged. New-crop December corn futures prices rallied about \$0.45 per bushel, or nearly 12%, in the last six weeks to approximately \$4.25 per bushel. The price rose even as the calendar rolled into the heart of harvest season in the US Corn Belt. Increasing prices are atypical at this time of year. The mean and median price change between late August and early October is a 2% price decline. Since 2001, new-crop corn futures have seen larger rallies than the one just observed in this same period only twice: in 2006 and 2010. Even in the latter half of 2020, when corn prices began their most recent multi-year rally, prices did not increase this much from late August to early October.

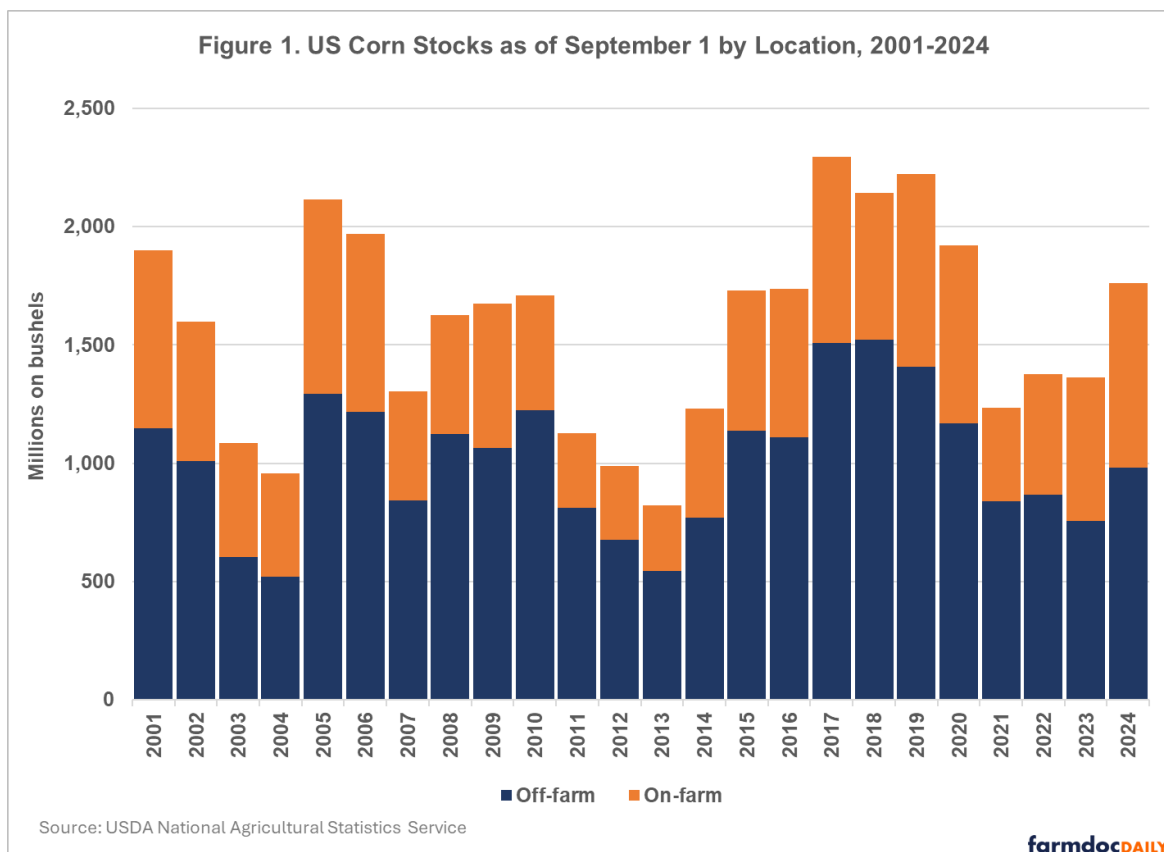
At the same time, the general tenor of the discussion about longer-run corn price prospects remains quite negative. Current USDA corn balance sheet projections suggest 2024/25 ending stocks will be about two billion bushels, a level that market analysts typically view as 'burdensome' to prices. Recently released Illinois crop budgets for 2025 (see *farmdoc daily*, [September 24, 2024](#)) show that even current corn prices remain well below breakeven levels (including land costs). Some policymakers have pushed for the federal government to intervene. Policy proposals to raise corn reference prices (e.g. [Hagstrom and Clayton, 2024](#)) would substantially increase the likelihood of government payments to farmers at current price levels.

To what extent does the recent short-run corn price rally signal a reversal in longer-run negativity? A sustained move away from low price levels requires a shift in supply and demand fundamentals. Supply-driven rallies tend to be brief as supply shortfalls are temporary, production often responds elsewhere in the world, and existing stocks can often (but not always) buffer impacts. Demand-driven price increases are typically longer lived. Last week saw two supportive pieces of news that may indicate stronger than anticipated demand for corn: USDA data releases on grain stocks and export sales. Both data points must be placed in some context. They are only a breath of optimism for corn prices, not a return to tight market fundamentals.

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Grain Stocks Data

In its [September 30 Grain Stocks report](#), USDA's National Agricultural Statistics Service revealed a modest surprise in corn inventories. Corn stocks at all locations were 1,760 million bushels as of September 1, the end of the 2023/24 marketing year and the start of the 2024/25 campaign. This number was 52 million bushels below the previous USDA WASDE estimate for 2023/24 ending stocks and 83 million bushels below the average of analysts' pre-report estimates. Lower than expected stocks imply greater corn use than anticipated, consistent with strong demand.



September corn stocks are shown relative to levels for the past 25 years in Figure 1. Stocks are growing but the rate of change is less than observed during rising stocks periods like 2005 and 2014. The historic comparison to the 2013-2015 build is apt as current expectations are for a second year of growing corn ending stocks in 2025. While the pace of growth in stocks is now anticipated to be slower than observed between 2013 and 2015, the overall change looks markedly similar and inventory growth at that time did usher in a sustained period of lower prices.

Figure 1 also provides context regarding the proportion of stocks held on farm. One year ago (in September 2023), ending stocks held on farms were proportionally larger as a share of all corn stocks than at any time since 2004. There was concern about the pace of farmer selling during the 2023/24 marketing year, but Figure 1 shows that corn ending stocks held on farm remained around 44%. Corn farmers do not appear to have built their inventory position further, at least relative to growth in non-farm inventories.

Other Green Shoots

Additional signs of stronger than expected demand are found in recent corn export sales data. Last Thursday's USDA Foreign Agricultural Service [Export Sales Report](#) showed net sales of 1.68 million bushels for the week ending September 26. This is roughly double the average weekly sales pace needed to meet current USDA export projections for the 2024/25 marketing year. Mexico and other Latin American nations such as Colombia, Guatemala, and Panama continue to be major destination markets for US corn exports. Mexico makes up almost two-thirds of the current marketing year export sales book for US corn. Import demand from China remains absent.

Export sales quantities alone are insufficient to signal a surge in demand. Total current corn export sales commitments are just slightly above year ago levels and consistent with an export sales quantity for 2024/25 in line with existing expectations. However, recent price increases have coincided with positive news for export sales, both this last week and in late August when the recent rally began. Sales to countries outside the current set of major buyers would be a stronger signal that the demand for US corn justifies price increases beyond a futures price in the low-\$4 range.

Discussion

Neither lower than expected grain stocks or strong weekly export sales can change the broader narrative of rising stocks and prices below full-cost breakeven levels for 2024/25. Even factoring in some increase in corn use, current new-crop US corn ending stocks projections are still near two billion bushels, a level only seen in low price periods like 2005 and 2017-2019. However, both stocks and export sales move the new-crop balance towards a state where the market may be slightly more sensitive to any forthcoming supply and demand shifts. Such volatility may provide opportunities for new-crop corn selling. It does not yet change the broader fundamental narrative.

References

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