

Anticipating The Estimates Of June 1 Stocks Of Corn And Soybeans



grain outlook

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The USDA will release the estimates of June 1 corn and soybean inventories on June 29. The level of those stocks will reveal the rate of consumption during the third quarter of the 2011-12 marketing year and the available supply for consumption during the fourth quarter.

For corn, the estimate of June 1 stocks will reveal the level of feed and residual use during the previous quarter since weekly estimates of exports and domestic ethanol production provide on-going estimates of use in those categories. Based on cumulative marketing year export inspections through May and Census Bureau export estimates through April, exports during the quarter were likely near 390 million bushels. Based on weekly and monthly estimates of ethanol production, total food and industrial uses of corn during the quarter may have been near 1.64 billion bushels.

Anticipating feed and residual use of corn during the previous quarter is made more difficult by the surprising levels of June 1 stocks estimates the past two years and the resulting wide range of implied feed and residual use during the March-May quarter. Use was calculated at 1.273 billion bushels during the March-May quarter in 2010, but at only 716 million bushels last year. For the entire 2011-12 marketing year, the USDA currently projects feed and residual use at 4.55 billion bushels, 243 million bushels less than use of a year ago. Implied use during the first half of the year was 247 million less than that of a year ago, with all the decline occurring in the first quarter. If the USDA forecast is correct, use during the last half of the current year should be about equal to that of last year. Use during the final quarter of the year is expected to be relatively small due to the availability of more than the normal amount of new crop corn in August, and perhaps a little more summer wheat feeding than occurred last year. So, what about third quarter use?

On the surface, third quarter feed and residual use might be expected to be near that of last year. Total red meat and poultry production during the second quarter of the calendar year was about 1.5 percent less than during the

same quarter last year, egg production was about unchanged, and milk production was up about 6.5 percent. In addition, the production of distillers grains was about equal that of a year ago. However, implied use during the third (and fourth) quarter last year was extremely small and there is less than complete confidence in the accuracy of that estimate. The bottom line is that there is likely to be a wide range of expectations for the June 1 stocks estimate. Based partially on the on-going record strong corn basis, we anticipate that feed and residual use of corn during the third quarter was larger than the estimate for last year's use. If so, June 1 stocks would be near 3.1 billion bushels and use for the year would be expected to exceed the current USDA projection of 4.55 billion bushels.

Anticipating the June 1 stocks of soybeans is less difficult than for corn, but has been complicated by the discontinuation of the monthly Census Bureau estimate of the domestic crush. Quarterly crush estimates are now based on monthly estimates of crush by members of the National Oilseed Processors Association (NOPA). The USDA no longer reports domestic crush by quarter, but reports total domestic use that includes feed, seed, and residual use. Based on NOPA estimates for the March-May quarter, we estimate total domestic crush at about 425 million bushels, 7.3 percent more than crushed in the same quarter last year.

Historically, quarterly feed, seed, and residual use varied widely from year to year, but averaged about 41 million bushels during the third quarter of the marketing year in the previous four years. Use during the first three quarters of the year averaged 197 million bushels during those same four years. Based on estimated feed, seed, and residual use during the first half of this year, that average would also point to third quarter use near 40 million bushels. Total domestic use during the quarter was likely near 465 million bushels.

Based on cumulative export inspections through May and Census Bureau estimates through April, soybean exports during the third quarter of the year were near 257 million bushels. Consumption of soybeans for all purposes should have been near 722 million bushels, pointing to June 1 stocks near 650 million bushels.

The June 1 stocks estimates take on a little more importance this year due to the relatively tight year-ending inventories projected for both corn and soybeans, even though more early-harvested corn is expected this year. The surprises in recent corn stocks estimates also add some drama to the upcoming report. Δ

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