



# WEEKLY OUTLOOK

A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

**JANUARY 28, 2008**

## **CORN AND SOYBEAN CONSUMPTION REMAIN LARGE**

On a daily basis, corn and soybean prices continue to be influenced by a large number of factors. These include the traditional fundamental factors of the rate of consumption and production prospects in various parts of the world. In addition, prices have been impacted by such factors as prospects for crude oil prices and U.S. and global economic prospects. The latter are often referred to as outside markets, but developments in these markets directly impact the potential demand for corn and soybeans.

The one constant so far in the 2007-08 marketing year for both crops has been the generally persistent high rate of consumption. For soybeans, the USDA currently projects the 2007-08 marketing year domestic crush at 1.83 billion bushels, 1.3 percent larger than the record crush of last year. Through the first four months of the marketing year (September through December 2007) the Census Bureau estimates the domestic crush at 629.84 million bushels, 2.2 percent larger than the cumulative crush of a year ago. The year-over-year rate of increase slowed to only 0.4 percent in November, but jumped to 3.3 percent in December. The higher rate of crush reflects an increase in both domestic and export consumption of soybean meal. While soybean oil consumption is up, crush is still being driven by demand for soybean meal. Domestic soybean oil stocks at the end of December exceeded 3 billion pounds, only slightly less than the record December inventory of a year ago.

If the current pace of crush persisted for the remainder of the year, crush would reach 1.846 billion bushels, 16 million larger than the USDA projection. Some reduction in hog numbers, an increase in distiller grain production, and seasonal competition from South American soybean meal may slow the rate of increase in the domestic crush. Still, the crush during the last 8 months of the year needs to be only 0.9 percent larger than the crush of a year ago to reach the USDA projection of 1.83 billion bushels.

The USDA projects U.S. soybean exports during the current marketing year at 995 million bushels, 11 percent below the record exports of a year ago. Through the first 21 weeks of the marketing year, the USDA export estimates indicate that shipments were only 5 percent below those of a year ago. Through the first three months of the year, however, Census Bureau export estimates were 14 million bushels larger than USDA estimates, but 12.6

percent smaller than the cumulative Census Bureau estimate of a year ago. The current pace of shipments relative to that of a year ago appears to be in line with the USDA projection for the year. The difference is in the magnitude of unshipped sales. As of January 17, 2008, the USDA reported unshipped sales of 297 million bushels, 13.5 percent larger than unshipped sales of a year ago. Japan, China, and Mexico account for much of that increase. The current pace of shipments and sales project to a slightly higher export total than projected by USDA. Chinese demand and the size of the current South American harvest will influence U.S. exports during the last half of the year.

For corn, the USDA projects 2007-08 marketing year exports at 2.45 billion bushels, 15.3 percent more than exported last year. Through the first 21 weeks of the year, USDA estimates show a 16 percent increase in shipments. However, through the first three months of the year, Census Bureau export estimates exceeded USDA estimates by 45 million bushels and were 17.6 percent above Census Bureau estimates of a year ago. Unshipped export sales of U.S. corn as of January 17, 2008 stood at 772.5 million bushels, 61 percent larger than unshipped sales of a year ago. Japan, South Korea, Taiwan, Egypt, and Mexico accounted for much of the increase. Increased Asian demand at least partially reflects reduced exports from China. The current pace of export demand suggests that exports could exceed the USDA projection for the year. The size of the current South American harvest and the extent of the rebound in northern hemisphere wheat production will influence demand for U.S. corn.

Domestic use of corn apparently totaled 3.417 billion bushels during the first quarter of the 2007-08 marketing year, nearly 15 percent more than consumed in the first quarter last year. The increase reflects a 21 percent increase in processing uses of corn, about all for ethanol, and a 13 percent increase in feed and residual use. The calculation of feed and residual use totaled 2.457 billion bushels, an increase of 281 million bushels from use of a year ago. The large increase is surprising given the large increase in feeding of both soybean meal and distillers grain. The March 1 *Grain Stocks* report will provide additional insight on feed use. It may be that the 2007 crop was slightly overestimated.

Corn and soybean prices will likely continue to be very volatile and influenced by a large number of factors. Until there is some evidence of a slowdown in use that reduces the needed increase in acreage in 2008 however, prices are likely to remain well supported.

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