

The Grain Stocks report was released Wednesday, with some updates to corn and soybeans that are worth noting. Corn ending stocks from the quarterly grain stocks survey came in at 1,995 million bushels, 11% below the September estimated WASDE figure, and similarly short of analysts' thinking ahead of the report.

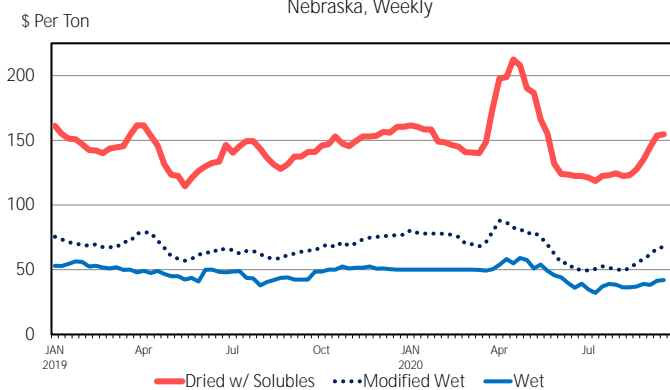
Two thoughts come to mind on why this might be the case: Disappearance in feed and residual was larger due to the lack of DDGs available from reduced ethanol production. The second, is the Derecho likely affected on-farm storage in a way that hasn't been realized.

The first bears exploring while the second will not be known until the grain capacity is surveyed again. The shut down of ethanol plants in the second quarter of this year dramatically reduced the amount of Distillers grain available. In the short term DDG prices rose, as rations were likely hesitant to re-formulate in the short term. However, over the summer prices for Distiller co-products dropped significantly. Ethanol plants did recover production from April's very low levels but are still below a year ago on a weekly basis, still down 13% in the last week of September. That resumption in supply was likely not the cause for the distiller grain prices returning to normal levels. Particularly, when the ethanol price reflects a rather tight ethanol market during this time frame.

It seems more likely, especially given the grain stocks report that animal producers aggressively reformulated rations. The displacement of DDGs to corn grain, varies by species. More corn grain had to be fed to compensate for less DDGs being used.

This could significantly explain the sharp reduction in corn stocks across the summer timeframe, but also has more wide-sweeping

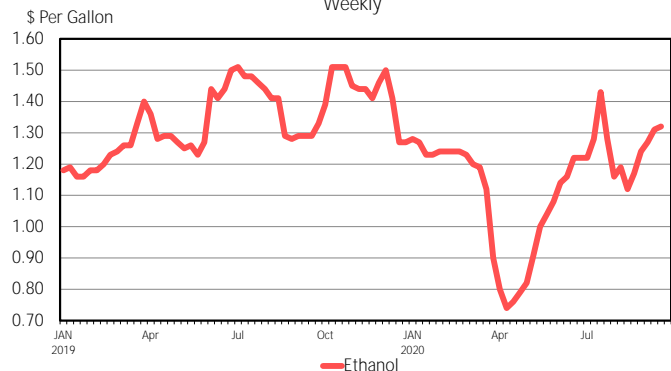
**DISTILLERS GRAIN PRICES**  
Nebraska, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

09/24/20

**IOWA ETHANOL PRICE**  
Weekly



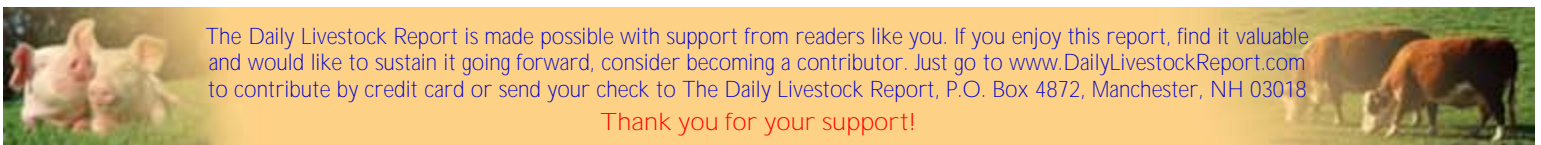
Data Source: USDA-AMS  
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09/24/20

corn issues, should it be a long term trend. China's aggressive buying coupled with increased feed and residual use point to more bullish action on corn.

On a side note, reports out of Iowa indicate there is movement to chop/silage Derecho acres of corn which could help explain some of the pull seen in the 400-500 lbs. steer calf prices in the Northern Plains, covered in [Tuesday's DLR](#). Our sense is there is still a great deal of uncertainty around what to do with those acres. Harvesting at the right moisture content for silage can be an issue. Some of the acres are still able to make grain, but estimating those yields is nearly impossible until harvest. Others may even try to bale those stocks should it dry down. Another alternative, could be to allow cattle to graze out those acres, but would likely depend on not only the ease of investment but also how wet those fields are. For many of these situations, achieving water access for livestock may be a hindrance.

A little of all of the above is likely, we expect there is a additional interest from farmer-feeders who may have more silage available. But for those not already in the livestock business, it may be more difficult to bring cattle in and invest in the infrastructure to graze those acres. The condition of these crops and what type of harvest techniques are available may come down to field-by-field decisions and depends on a variety of factors. Between now and January, the USDA NASS crop production reports will be our best indicator of corn harvested for grain, and the number of harvested acres in those states. Corn silage acres will not be released until January in the Crop Production Annual Summary.



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