August Crop Production Report: USDA Projects Large Corn and Soybean Yields

The USDA Agricultural Statistics Service released the Mid-August Crop production report with near record yield expectations for corn and soybeans. Also released was the world agricultural supply and demand estimates which project far greater soybean ending stocks than ever known before. Dr. Todd Davis, UK Extension Grain Marketing Specialist, summarized the reports in the following comments.

The August Crop Production report provides the first in-field yield measurements and farmer survey for the 2018 corn and soybean crops. Both crops are generally in better condition and more advanced than last year’s crops. These factors suggest above-trend yields nationally for both corn and soybeans.

Analysts surveyed before the report’s release expected USDA to project the U.S. corn yield at 176.3 bushels/acre (BPA), an increase of 2.3 BPA from the trend yield. Analysts also expected the soybean yield at 49.8 BPA, which would be a 1.3 BPA increase from the soybean trend yield. USDA surprised both markets by projecting the corn and soybean yields at 178.4 and 51.6 BPA, respectively. The corn yield was near the upper-range of the analysts’ projections while the soybean yield exceeded the upper-range of yield estimates.
The U.S. corn yield, if realized, would be 1.8 BPA larger than last year’s yield and set a record for most produced ever. The 2018 U.S. soybean yield, if realized, would be 2.5 BPA larger than last year’s yield and the second largest crop on record.

USDA will update their production information monthly from September to November. The final estimates will be in the January 2019 report. Future in-field measurements will analyze the seed weight for corn and soybeans.

The August world agricultural supply and demand estimate (WASDE) incorporates the Crop Production information into the corn and soybean supply projections with the corresponding impacts on ending stocks and U.S. marketing year average (MYA) price. Analysts surveyed before the report’s release expected old-crop corn and soybean stocks to decline. The analysts also expected the new-crop corn and soybean stocks to increase from the July report because of the expected increase in yields.

USDA did not adjust the old-crop corn supply and use projections from the July report. As a result, old-crop ending stocks remain slightly larger than 2 billion bushels. USDA adopted the U.S. corn yield of 178.4 BPA, which is a 4.4-bushel increase from the July report. This yield increase corresponds to a 356 million bushel increase in the 2018 corn crop and total supply from the July estimates. Compared to the 2017-18 marketing year, total corn supply is projected to be 273 million bushels lower to 16.7 billion bushels. Total new-crop corn use is projected to increase slightly by 70 million bushels. Corn exports are projected at 2.35 billion bushels, which is slightly less than last year’s exports. If this occurs, 2018-19 corn ending stocks could decline by 343 million bushels to 1.68 billion bushels and the days of stocks would decline to 41-days or an 11.2% stocks-to-use ratio. The projected U.S. farm price would increase to $3.60/bushel.
USDA increased 2018-19 soybean use from the July report due to a 15 million bushel increase to crushing and 20 million bushel export increase. However, total use is still projected to be 30 million bushels less than last year’s use. Export uncertainty weighs on the soybean market and drives the lower projected use.

USDA project 2018-19 soybean stocks to increase to 785 million bushels. If realized, this equates to a 67-day supply of soybean stocks and an 18.4% stocks-to-use ratio. This ratio is the largest stocks-to-use since 2006 and the largest sheer quantity of stocks on record. This mountain of stocks weighs heavily on the market and pushes the U.S. farm price lower to a projected $8.90/bushel.

USDA did not adjust the old-crop wheat projections. The 2018-19 wheat supply is projected to increase by 33 million bushels with production increases offset by lower carry-in and imports. Total use is projected to increase by 199 million bushels from last year. This increase is mostly from a 124 million bushel increase in exports. Ending stocks are projected to decline by 165 million bushels to 935 million bushels. This reduction in stocks is projected to support a higher U.S. MYA price of $5.10/bushel.

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