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Weekly Outlook: Will the Corn Production Forecast Get Smaller?

Darrel Good

Department of Agricultural and Consumer Economics
University of Illinois

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The USDA's 2015 corn production forecast and the projections of 2015-16 marketing year consumption released last week point to another year of ample corn supplies. The mid-point of the marketing year average price projection is \$3.65. From the corn producers' viewpoint, the question is whether these projections will change enough to result in higher prices than currently forecast and currently reflected in the futures market.

Prospects for year-ending stocks to be smaller than the current projection of 1.713 billion bushels could come from a smaller production forecast or from a larger consumption forecast. Supply prospects are examined here, with a look at the consumption side to come next week.

A smaller supply projection could result from some combination of a lower estimate of harvested acreage or a smaller yield forecast. The estimate of planted and harvested acreage should become more precise in October as the USDA's National Agricultural Statistics Service (NASS) has a chance to review acreage data reported to the Farm Service Agency (FSA) by producers enrolled in federal farm programs. Last year, for example, the forecast of harvested acreage declined by 742,000 acres from August to October. For now, the FSA monthly reports of planted and prevented acreage will be monitored to form expectations about likely changes in NASS acreage estimates. The first of those reports was released today, with producers reporting 83.147 million acres planted to corn compared to the current NASS estimate of 88.897 million. The FSA acreage figure will grow as acreage reporting and processing is completed, but the final figure will be less than the final NASS estimate since not all producers are required to report acreage to the FSA. Today's report indicated that 2.3 million prevented corn acres have been certified so far in 2015. That compares to 1.54 million acres reported in August last year and the final 2014 report of 1.606 million acres. Prevented acres of all crops were reported at 6.449 million, compared to 4.231 million reported in August 2014 and the final 2014 report of 4.371 million acres.

Prevented acres of corn in today's report totaled 506,039 in Missouri, 233,394 in Mississippi, 193,976 in Colorado, 191,086 in Arkansas, and 170,528 in Texas. In contrast, prevented corn acres in eastern Corn Belt states that received record or near record rainfall in June were surprisingly small. Prevented acres were reported at 87,035 in Illinois, 33,643 in Indiana, and 26,423 in Ohio. Similarly, prevented acres were

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relatively small in Kansas, reported at only 50,593 acres. Prevented corn acres exceeded those totals in Iowa, Nebraska, North Dakota, and South Dakota.

The magnitude of prevented plantings reported so far this year does not point to a substantial decline in the NASS estimate of planted acreage of corn. It is possible, however, that the NASS forecast of corn acreage harvested for grain will decline. The current forecast of the difference between planted acreage and acreage harvested for grain of 7.8 million acres is only 300,000 acres larger than the 1996 to 2014 average. It is difficult to assess how harvested acreage in areas of severe flooding have been affected and how those acres will get reflected in forecasts of acreage and forecasts of yield.

The NASS August forecast of the 2015 U.S. average corn yield of 168.8 bushels is about four bushels above the average trade guess reflected in news service surveys. History suggests that the forecast will likely change in subsequent *Crop Production* reports by enough to alter the expectations of year-ending stocks. In the 40 years from 1975 through 2014 the yield forecast changed by less than two bushels through the August to November forecast cycle in only five years. Since the August forecast was higher than expected this year, many have argued that subsequent forecasts will be lower. Looking specifically at the change in the yield forecast from August to September, the forecast has declined in 19 of the previous 40 years. The decline exceeded one bushel in 14 of those years and exceeded two bushels in nine years.

So, what to expect in September? The NASS August corn yield forecast (and subsequent forecasts) is based on a combination of producer surveys and field observations as we described in last week's [newsletter](#). The forecast also assumes normal weather conditions for the remainder of the growing season. Over the past two weeks, average temperatures in major corn producing areas have not been stressful, but precipitation has been less than normal over a relatively large area. Temperatures are expected to remain moderate through the remainder of August and widespread rainfall is expected this week. Generally speaking, then, August weather conditions are not expected to deviate from normal by enough to change yield expectations. The corn market will also form yield expectations, in part, from the USDA's weekly report of crop conditions. That report showed 70 percent of the crop in good or excellent condition as of August 9, well above the average for the week of 61 percent in the previous 29 years. That percentage is not expected to increase as the crop matures, but declines might support expectations of a lower yield forecast in September.

At this juncture, a case for a substantially lower USDA corn production forecast next month is difficult to make. That picture could change a bit based on actual weather conditions and crop condition ratings over the next three weeks.