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Weekly Outlook: Major Focus on Corn and Soybean Yields, But Acreage Questions Surface

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The corn and soybean markets are obviously focused on the [USDA's August 12 Crop Production report](#) that forecast record U.S. yields and record production for both crops this year. The U.S. average corn yield is forecast at 175.1 bushels per acre, 6.7 bushels above the 2015 average and 4.1 bushels above the record average yield in 2014. Similarly, the U.S. average soybean yield is forecast at 48.9 bushels per acre, 0.9 bushel above the previous record yield of last year.

The USDA yield forecasts were larger than reflected by pre-report trade guesses, but prices of both crops increased in the wake of the report. The price reaction may reflect a combination of the current demand strength in the export market for both crops and expectations that subsequent yield forecasts will fall short of the August forecasts.

In addition to changes in yield forecasts, subsequent USDA production forecasts may also be influenced by changes in estimates of planted and/or harvested acreage. Over the past twenty years, the USDA's final planted acreage estimate for corn has differed from the June estimate by as little as 28,000 acres and as much as two million acres. For soybeans the difference has ranged from 32,000 to 2.5 million acres. Beginning with the October *Crop Production* report, the USDA's National Agricultural Statistics Service supplements its survey-based estimates of planted acreage with administrative data. One of the major sources of administrative data is cropland use data reported to the USDA's Farm Service Agency (FSA). As stated at the [FSA website](#) "Farm Service Agency policy requires that producers participating in several programs submit an annual report regarding all cropland use on their farms." Beginning in August, the FSA provides a monthly summary of the crop acreages that have been reported and processed to date. A final report is issued in January of the following year.

Because the FSA acreage data are used to supplement the NASS survey acreage estimates, there has been a relatively consistent relationship between the final NASS acreage estimates and the final FSA acreage estimates. Since all farms do not participate in federal farm programs that require annual acreage reporting to FSA, NASS acreage estimates exceed acreage reported to FSA. In the nine years from 2007 through 2015, the NASS acreage estimates for corn exceeded acreage reported to FSA by an average of 3.4 percent, in a range of 2.6 to 4.7 percent. The difference was between 3.0 and 3.5 percent

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in seven of the nine years. For soybeans, the NASS acreage estimates exceeded acreage reported to FSA by an average of 1.8 percent, in a range of 1.2 to 3.0 percent.

Given the relatively consistent relationship between NASS and FSA acreage estimates, participants in the corn and soybean market attempt to anticipate the final NASS acreage estimates based on monthly acreage summaries provided by FSA. The difficulty in that process is that the pace at which the monthly FSA acreage summaries approach the final acreage estimates released in January varies from year to year. For example, just over the past four years, the difference between the final acreage estimates and the August acreage report for corn ranged from 1.1 to 3.6 million acres. The difference seems to be small in years of early planting (2012) when producers can report early and larger in years of later planting. By October, the FSA acreage totals are typically very close to the final estimates released in January. However, that report is released to the public after the NASS October *Crop Production* report, which already incorporates the October FSA acreage data, is released.

Even with the limitations of using the FSA's August and September acreage reports to anticipate the final NASS acreage estimates, there is substantial interest in those monthly reports. The first report for 2016 was released on August 12. For corn, producers had reported corn plantings of 90.365 million acres. That compares to the NASS June acreage estimate of 94.148 million acres. The NASS estimate is 4.2 percent larger than the FSA estimate, which is within the range of the final ratios over the past nine years. For soybeans, producers had reported plantings of 81.368 million acres, compared to the NASS June acreage estimate of 83.668 million acres. The NASS estimate is only 2.8 percent larger than the FSA estimate, which is also within the range of the final ratios over the past nine years.

Some have argued that the relatively low NASS/FSA acreage ratios in August suggest that the final NASS acreage estimates will likely exceed the June estimates. That is, the expectation is that subsequent FSA reports will show larger plantings and if the ratio between NASS and FSA is maintained, the NASS estimate will also have to be increased. However, the current ratios may only reflect that a large proportion of farmers reported acreage early this year since crops were generally planted early.

While providing some useful benchmarks, the FSA's August acreage report for corn and soybeans does not allow for a strong conclusion about where the final NASS acreage estimates will come in. It is too early to conclude that final acreage estimates will vary substantially from the June estimates.

Reference

USDA, National Agricultural Statistics Service. *Crop Production* (August 2016). Released August 15, 2016. <http://usda.mannlib.cornell.edu/usda/nass/CropProd//2010s/2016/CropProd-08-12-2016.pdf>