



## USDA's August Crop Forecasts

**Darrel Good**

Department of Agricultural and Consumer Economics  
University of Illinois

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Today the USDA released the first survey based [forecast](#) of the size of the 2011 U.S. corn and soybean crops. In addition, forecasts of consumption and ending stocks for the 2010-11 and 2011-12 marketing years for corn, soybeans, and wheat were [updated](#). Following is a summary of those reports.

### Corn

The forecast of acreage harvested for grain was reduced by 500, 000 acres from the June report, to a total of 84.388 million acres. The U.S. average yield is forecast at 153 bushels, resulting in a production forecast of 12.914 billion bushels, 467 million larger than the 2010 crop. The forecasts were about as expected, although some of the state production forecasts deviated from expectations. Most notably was the Illinois yield forecast of 170 bushels, 13 bushels larger than last year's yield. The average yield is projected at 177 bushels in Iowa and 150 bushels in Indiana.

For the current marketing year, the forecast of exports was reduced by 50 million bushels and the forecast of domestic processing use was reduced by 10 million bushels. Year-ending stocks are forecast at 940 million bushels, compared to 880 million forecast last month. For the upcoming marketing year, the projection of consumption had to be reduced due to the much lower production forecast. Use for all purposes is projected at 13.16 billion bushels, leaving year-ending stocks at only 714 million bushels, or 5.4 percent of projected use. The 2011-12 marketing year average farm price is projected in a range of \$6.20 to \$7.20, up \$.70 from last month's projection.

Small changes were made in world corn production forecasts, the largest being an 80 million bushel increase in the expected size of the Brazilian crop. World stock levels are projected to decline by nearly 7 percent during the year ahead.

### Soybeans

The forecast of harvested acreage was reduced by 435,000 acres from the June report, to a total of 73.823 million acres. The U.S. average yield is forecast at 41.4 bushels, well below the average trade guess. The 2011 crop is forecast at 3.056 billion bushels, 273 million smaller than the 2010 crop. State average yields are expected to be the highest, 52 bushels, in Iowa and Nebraska. The averages are

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forecast at 48 bushels for Illinois and 43 bushels for Indiana.

For the current marketing year, the forecast of exports was reduced by 25 million bushels and the forecast of the domestic crush was reduced by 5 million bushels. Year-ending stocks are forecast at 230 million bushels, 30 million larger than the July forecast. For the 2011-12 marketing year, the projection of consumption was reduced by 118 million bushels, but the smaller production forecast resulted in a 20 million bushel cut in the projection of year-ending stocks. The 2011-12 marketing year average farm price is projected in a range of \$12.50 to \$14.50, \$.50 above last month's forecast.

Outside the U.S. the projected size of the 2012 Brazilian crop was increased by 37 million bushels. Soybean stocks outside the U.S. are projected to decline by about 7 percent during the year ahead.

### **Wheat**

The estimated size of the 2011 U.S. crop was reduced by 29 million bushels, reflecting a higher yield forecast and a lower forecast of planted and harvested acreage. The export projection for the current year was reduced by 50 million bushels, while the projection of feed use was increased by 20 million bushels. The projection of year-ending stocks was unchanged, but the forecast of the 2011-12 marketing year average farm price was increased by \$.20, in a range of \$7.00 to \$8.20.

Outside the U.S., the estimated size of the crop in the Former Soviet Union was increased by 260 million bushels, or about 7 percent. While U.S. stocks are expected to decline by the end of this year, foreign stocks are expected to increase marginally.

The updated forecasts point to a continuation of very tight supplies of corn, soybeans, and wheat for another year. The stock re-building process will be delayed for at least another year. While the current world economic and financial issues create some demand uncertainty, the prospects for tight stocks suggest that crop prices will remain at historically high levels. Large price swings will also likely continue as the supply and demand factors unfold.