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Weekly Outlook: Questions about Corn Crop Continue

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The USDA's August crop production forecast delivered a shock to corn markets with much larger production than expected. Market participants continue to question the size of the 2019 corn crop, in particular, harvested acreage and yield come in for much speculation.

Producers reported they planted 90 million acres of corn and intended to harvest 82 million acres for grain. Initial reaction to 90 million planted acres with 11.2 million acres of prevent plant corn approached complete disbelief. The switch into corn acres happened for both the prevented planting decisions and crop planting. The expansion of corn acres reduced soybean acres in particular. When matched with FSA data on reported planted acres, the possibility of USDA lowering planted corn acreage by a significant amount this year seems very low.

Harvested acreage continues to come under question due to poor crop ratings in many regions. Speculation of more acreage harvested for silage or abandoned than shown in the August report drives the idea of reduced acreage for grain. Spring flooding issues get mentioned as another reason for lower acres harvested for grain. The difference between planted acreage and intentions for harvested acreage sit at 7.99 million acres. Over the last ten years, the difference between planted acres and acreage harvested for grain averaged 7.63 million acres. At almost 356,000 acres above the ten-year average, this year's acreage spread come in slightly higher. Comparisons to the 1993 and 1995 crop years due to the extremely wet spring have grown common this year. In 1993, the difference between planted acres and acres harvested for grain totaled 10.3 million acres. At 6.3 million acres, the difference in 1995 came in much lower. The final harvested acres fell 1.04 million acres from the August crop production report in 1993 and grew 528 thousand acres in 1995.

On a state level, the difference between planted acres and acres harvested for grain saw increases over last year in many key production areas. The difference in Illinois came in at 250,000 acres, up 100,000 from last year and 20,000 acres higher than the ten-year average. Iowa's difference between planted and harvested acres sits at 400,000 acres this year, on par with last year. At 350,000 acres, Nebraska's difference is up 60,000 acres from last year. Severe flooding in Iowa and Nebraska earlier in the year will

maintain speculation on harvested acres into the fall in all probability. USDA's final harvested acres for grain failed to deviate from the August forecast by more than 1.7 million acres over the last ten years. The greatest drop came in 2013 at 1.7 million acres. If harvested acres declined by two million acres, a decrease in corn production of 340 million bushels would still see supply for the 2019-20 marketing year near 16 billion bushels at current yield levels. Any rally in corn price appears centered on yield at this point.

The USDA's forecast of U.S. average corn yield was 169.5 bushels per acre, up 3.5 bushels from the previous projection. The forecast uses a survey of farmers with some support from satellite data. This year the objective yield survey does not occur until September. The objective yield surveys collect data on plant population, ear totals, kernel row length, and ear diameter as crop maturity permits. The September crop production report holds the first objective yield survey this year. USDA yield forecasts usually become more accurate as we move toward harvest. Since over a third of the corn crop got planted in June, the debate about the yield forecast looks to remain prevalent through harvest. Using 1993 and 1995 as comparisons, the final yield fell 16 and 12 bushels per acre from the August forecast, respectively. While the current yield forecast seems high to many market observers, the potential for a small or limited reduction in national corn yield exists.

The late-planted crop and dry weather throughout July and early August, particularly in areas of the eastern Corn Belt, point toward uncertainty on yield and acreage through January. Crop tours by private industry get underway shortly and may provide additional insight into the 2019 corn crop. Results from these tours should be taken with caution due to limits with the extent of the tours and methods used in collecting the data. The variability within fields this year appears high and difficult to capture with the methods used in the tours.

U.S. corn ending stocks for the 2019-20 marketing year are projected at 2.2 billion bushels. Recent weakness in demand may see carry in grow 50 million bushels before the 2019-20 marketing year begins. The combination of lower production or higher consumption needs to total near 900 million bushels to see corn supplies tighten. If harvested acres for grain remain at 82 million acres, a national average corn yield near 158 bushels per acre is necessary for this scenario under current use projections.

YouTube Video: Discussion and graphs associated with this article available at https://youtu.be/0zFrbmxsmB4