



Weekly Outlook: Record Corn Yield Forecast Weakens Corn Prices

Todd Hubbs

Department of Agricultural and Consumer Economics
University of Illinois

September 17, 2018

farmdoc daily (8): 172

Recommended citation format: Hubbs, T. “[Record Corn Yield Forecast Weakens Corn Prices.](https://farmdocdaily.illinois.edu/2018/09/record-corn-yield-forecast-weakens-corn-prices.html)” *farmdoc daily* (8): 172 , Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, September 17, 2018.

Permalink: <https://farmdocdaily.illinois.edu/2018/09/record-corn-yield-forecast-weakens-corn-prices.html>

The USDA crop production report released last Wednesday led to a drop in corn prices as a record yield forecast surprised the market. The December corn futures price dropped to contract lows by the close on Friday. While corn consumption continues at a healthy pace, the prospect of a massive corn crop will continue to put pressure on prices.

The USDA September corn production forecast for 2018 came in at 14.827 billion bushels, up 241 million bushels over the August forecast. The corn yield projection of 181.4 bushels per acre, up 2.9 bushels from August, sits 5.3 bushels above the previous record. Over the last twenty years, the USDA's September yield forecast ended up higher than the final yield estimate only five times. A change in corn yield forecast that provides some hope would look like the 2010 crop year. The final yield estimate ended up almost ten bushels per acre below the September forecast during that crop year. The yield projection met some skepticism due to the record-busting yield projections in many Corn Belt states. While it is tempting to discount this yield projection, the September yield forecast over the last five years only witnessed a yield decrease once, and the change was for less than a bushel.

Despite the strong record of accomplishment recently of USDA yield projections, the yields projected for top-producing states merit consideration. Yield prospects for the top ten states in harvested corn acreage this year, which compromise approximately 75 percent of all harvested acres, increased in eight of those states. Compared to the August forecast, yield prospects for the top ten states in corn acreage increased in Illinois, Iowa, Indiana, Ohio, Missouri, Nebraska, Kansas, and South Dakota. Yield prospects declined in North Dakota and remained the same for Minnesota. In six of those states, the forecasted yield came in at record levels. Illinois and Nebraska came in 13 bushels per acre above the previous record yield at 214 and 198 bushels per acre respectively. The forecasts for Ohio and South Dakota were 11 and 12 bushels per acre above their last record yields. Iowa and Indiana came in at a mere four and three bushel per acre above previous records respectively. While 2018 witnessed good growing conditions for corn, the forecasts for many Corn Belt states indicate large deviations from trend.

We request all readers, electronic media and others follow our citation guidelines when re-posting articles from farmdoc daily. Guidelines are available [here](#). The farmdoc daily website falls under University of Illinois copyright and intellectual property rights. For a detailed statement, please see the University of Illinois Copyright Information and Policies [here](#).

On the back of the record yield projection, the forecast of total supply for corn during the 2018-19 marketing year increased 215 million bushels to 16.879 billion bushels. Beginning stocks fell by 25 million bushels on stronger consumption to close out the 2017-18 marketing year. The ending stocks estimate for 2018-19 increased by 90 million bushels to 1.774 billion bushels. The muted growth in ending stocks related to stronger use projections in all consumption categories due to rising production prospects and lower prices. The USDA increased to 2018-19 feed and residual use forecast by 50 million bushels to 5.575 billion bushels. Food, Seed, and Industrial consumption increased 125 million bushels to 7.13 billion bushels on stronger ethanol and industrial use. Corn export projections increased by 50 million bushels to 2.4 billion bushels. The forecast of the seasonal average corn price came in down 10 cents in a range of \$3.00 -\$4.00. An adjustment to this year's production forecast or a sharp demand increase appears necessary to see prices in the upper part of this range during the current marketing year.

Despite the prospect of a large U.S. crop, increased consumption throughout the world continues to reduce global ending stocks. World production projections for 2018-19 increased 3.4 percent from last year's estimate to 42.08 billion bushels. The September world ending stocks forecast increased slightly to 6.18 billion bushels from August projections. World ending stocks are down 1.4 billion bushels from the 2017-18 marketing year estimate. The changes place world stocks to use at 11.7 percent, down from 13.4 percent last marketing year. The projected size of the Brazilian corn crop remained at 3.72 billion bushels, up 15 percent from the disappointing recent crop. Corn production projections for Argentina currently sit at 1.61 billion bushels, up 28 percent from this year's production estimate. An expansion in corn acreage looks probable in Argentina this year due to the recent policy change regarding export taxes in the soybean complex. At 8.85 billion bushels, Chinese corn production is up 4.21 percent from last year's estimate. A projected decrease in ending stocks in China by 766 million bushels, on stronger domestic use, encapsulates approximately 52 percent of the ending stocks decrease forecast for the world.

The market now anticipates yield reports from the field as harvest commences and the October production forecast. Corn prices will be dependent on consumption throughout the marketing year barring a reduction in production levels. Corn use continues to show strength at the lower corn prices in place in the market. While there is potential for a higher corn yield as we move through harvest, the impact on corn prices may be minimal. Conversely, any reduction in corn yields sets up the potential for a strong rally.

YouTube Video: Discussion and graphs associated with this article available at youtu.be/YYQcspr1_vl