



Weekly Outlook: Anticipating the January USDA Reports

Todd Hubbs

Department of Agricultural and Consumer Economics
University of Illinois

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The ongoing partial government shutdown halted the release of many key USDA reports. If the USDA releases the reports as scheduled on January 11, they hold implications for forming expectations on corn and soybean prices in 2019. The final estimates of the size of the 2018 corn and soybean crop, winter wheat seedings, and the December 1 corn stock estimate provide critical information impacting current marketing year supply and demand estimates and acreage allotments in 2019.

A general expectation for 2018 corn and soybean production moving lower in the January production report is based off decreasing yields in the later part of the year. Poor harvest conditions look to impact both yield and acreage. The USDA forecast for the 2018 U.S. average corn yield in November sits at 178.9 bushels per acre, down from 180.7 bushels in October. Using data since 1997, the change in the yield forecast from October to November declined in five of those years. The decline exceeded one bushel in four of those years and dropped more than two bushels once. The subsequent corn yield in January declined in all five of those years with an average reduction of 1.7 bushels per acre. If this pattern held this year, a January corn yield estimate of 177.2 would materialize.

Similarly, the USDA forecast for the 2018 U.S. soybean yield in November came in at 52.1 bushels per acre, down from 53.1 bushels in October. Since 1997, the change in the yield forecast from August to September declined in seven of those years. The decline exceeded 0.5 bushels in two of those years. The subsequent soybean yield in January dropped in four of those years with an average reduction of 0.27 bushels per acre. If the average deviation calculated above came to fruition this year, the national average soybean yield would be approximately 51.8 bushels per acre.

While yield continues to attract the focus for a potential reduction in production this year, acreage adjustments may alter production estimates as well. A slight decrease in 2018 corn and soybean acreage remains possible due to the difficult harvest in many areas. While reduced corn and soybean acreage for the 2018 crop lowers production estimates, the impact on winter wheat seedings could be just as consequential for 2019. Weather issues substantially delayed or prevented winter wheat planting in many areas of the Southern Plains. Last year, planting of winter wheat came in at 32.5 million acres with

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approximately 60 percent of these acres in Kansas, Texas, Oklahoma, and Colorado. Kansas, Texas, and Colorado appear to have declines in winter wheat planted this year. The acreage reported in the *Winter Wheat and Canola Seedings* report provides the first indication of 2019 acreage allotments. A reduction in winter wheat acreage near 1.5 percent from last year appears probable given the issues with the harvest this fall.

The December 1 corn stocks reveal the feed and residual use category for the first quarter of the marketing year and provide a clearer picture of corn consumption. It is difficult to predict the stocks number since the final estimate of the size of the 2018 crop and the level of consumption during the first quarter of the marketing year remain unknown. If the November forecast for corn production is correct at 14.626 billion bushels and the consumption level for feed and residual use is on pace to meet the USDA's current projection during the marketing year, a December 1 stocks estimate can be calculated using known consumption data.

Export calculations during the first quarter of the marketing year rely on Census Bureau export estimates and USDA cumulative weekly export inspection levels. Cumulative export inspections for September, October, and November totaled 564 million bushels. Census Bureau estimates through October exceeded cumulative export inspections by 54.6 million bushels. Assuming the same difference continued through November, corn exports during the first quarter of the marketing year came in close to 619 million bushels.

Based on estimates in the USDA *Grain Crushings and Co-Products Production* reports, corn use for ethanol production came in at 907.6 million bushels in September and October. By using Energy Information Administration (EIA) ethanol production estimate for November, 456 million bushels of corn were used for ethanol and co-product production. Corn use during the quarter is estimated at 1.364 billion bushels.

For the marketing year, the USDA projects domestic corn consumption for the production of food, seed, and industrial products other than ethanol at 1.48 billion bushels. The projection is two percent larger than use during the previous year. Quarterly consumption for those products is relatively consistent in most marketing years. A two percent year-over-year increase in the first quarter this year would have resulted in corn use of about 360 million bushels.

For the year, the USDA projected feed and residual use of corn at 5.5 billion bushels. If the USDA projection is correct, feed and residual use in the first quarter should be near 2.33 billion bushels. Corn consumption during the first quarter of the marketing year is estimated to be near 4.673 billion bushels. Stocks of corn at the beginning the marketing year totaled 2.14 billion bushels and imports during the quarter were likely near seven million bushels. With a crop of 14.626 billion bushels, the corn supply totaled 16.77 billion bushels. The calculation for the December 1 stocks estimate is 12.1 billion bushels at current production levels.

The January USDA reports, when issued, provide substantial information for developing expectations about corn and soybean prices this marketing year. Crucial information on supply, consumption, and acreage estimates for 2019 get revealed with these reports and hold the potential to be supportive of prices in the near term.

YouTube Video: Discussion and graphs associated with this article available at youtu.be/1wlo9TO2A08