



## Weekly Outlook: August USDA Reports

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The highly anticipated August Crop Production report contained a larger than expected production forecast for the 2019 U.S. corn crop. Soybean production came in lower on smaller acreage.

For corn, the USDA lowered harvested acres to 82 million acres, but this came in above expectations of 80 million acres. Corn planted acreage totaled 90 million acres. When combined with a Farm Service Agency projection of 11.2 million acres of prevent plant corn, the total corn base appears to exceed 101 million acres in 2019. The U.S. corn yield forecast of 169.5 bushels per acre exceeded trade expectations by 4.6 bushels. The projected corn crop is 700 million bushels larger than the average trade guess at 13.9 billion bushels. As expected due to poor crop condition ratings, the eastern Corn Belt yield projections came in at lower levels than last year. Illinois (181 bushels per acre), Ohio (160), and Indiana (166) corn yield forecasts currently sit over 20 bushels per acre lower. Current field conditions in many areas indicate the yield projection may not see growth as we move toward harvest. In the last ten years, USDA's August yield forecast came in below and above the final yield estimate five times each.

Old crop year ending stocks estimate came in at 2.36 billion bushels, which is up 20 million bushels from the July estimate. Ethanol use fell 25 million bushels on weaker production levels. Corn exports continue to show weakness and may not reach the current projection of 2.1 billion bushels. Feed and residual use remains uncertain, with 681 million bushels necessary to meet the projection of 5.275 billion bushels. An expectation of ending stocks for the current marketing year above the present projection is reasonable at this point based on recent consumption trends.

For the 2019-20 marketing year, the USDA decreased corn for ethanol use and exports by 25 and 100 million bushels, respectively. The forecast for 2019-20 ending stocks sits at 2.181 billion bushels, up 170 million bushels. The average farm price for the year ahead came in at \$3.60, down 10 cents from the July report. Given the current production uncertainty, an expectation of lower ending stocks for the next marketing year seems prudent. The potential for lower yield appears acute, particularly in the eastern Corn Belt.

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The soybean crop forecast of 3.68 billion bushels is 120 million bushels lower than the average trade guess. Soybean planted acreage totaled 76.7 million acres, down 3.34 million acres from last year. Harvested acreage came in at 75.9 million acres with an estimated 4.35 million acres of prevent plant acres. The U.S. average soybean yield forecast of 48.5 bushels showed no change from the July forecast. Yield forecasts in many states across the Corn Belt reflected the poor growing conditions this summer. Iowa (55 bushels per acre) and Illinois (55) yield forecasts came in down 2 and 10 bushels per acre from last year respectively. States in the Mid-South region showed some excellent soybean yield projections. Kentucky and Tennessee reported record yields of 53 and 50 bushels per acre, respectively. Over the last decade, the USDA August yield forecast has been lower than the final national soybean yield estimate only two times. The USDA has not produced an August soybean yield forecast higher than one bushel above the final soybean yield since 2003 when it came in 6 bushels above than the final yield.

For old crop soybeans, the USDA decreased the soybean crush projection by 20 million bushels to 2.065 billion bushels and maintained exports at 1.7 billion bushels. The pace of domestic crush and exports currently suggests these projections will hold for this marketing year. The forecast for ending stocks during the current marketing year increased by 20 million bushels to 1.07 billion bushels.

Forecasts for the 2019-20 marketing year decreased ending stocks by 104 million bushels to 755 on the lower production levels. The forecast for domestic soybean crush increased 15 million bushels to 2.06 billion bushels. Soybean export forecasts decreased by 100 million bushels reflecting recent development in trade negotiations and export sales pace. The forecast for the marketing year average price stayed at \$8.40 per bushel. The potential for lower soybean consumption than current USDA forecasts remains linked to trade issues over the next year. Soybean exports will depend on continued growth in soybean exports to non-Chinese sources. The potential for South American soybean production to come in 150 million bushels larger than the last crop seems likely. Combining the current soybean production levels in the U.S. and continuing trade issues, average farm prices for soybeans appear set for continued weakness in the 2019-20 marketing year.

The USDA corn and soybean production forecasts will be updated on September 12. Uncertainty remains for U.S. corn and soybean supply this year. Prices will reflect crop production potential with a strong emphasis on yield as move into the harvest period.