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WILL CROP ESTIMATES INCREASE?

Last week the USDA revised the estimates of the potential size of the 1989 corn and soybean crops. Those estimates were slightly lower than the August figures. The U.S. corn crop is estimated at 7.321 billion bushels, only 27 million bushels below the August estimate. The national average yield is estimated at 112.4 bushels per acre. The yield estimate declined by 2 bushels per acre for Iowa and Illinois, declined by 3 bushels for Nebraska, was unchanged for Minnesota and Ohio, and increased by 5 bushels per acre for Indiana.

The U.S. soybean crop is estimated at 1.889 billion bushels, 16 million bushels below the August figure. The U.S. average yield is expected to be 32 bushels per acre, 0.3 bushels below the August estimate. State yield estimates were generally within 1 bushel of the August figure. The exceptions were a 2-bushel decrease in Georgia and Nebraska and a 2-bushel increase in Michigan.

Almost immediately, the market looked beyond the September production estimates to expectations about the October report. The consensus of opinion seemed to be that the crop estimates would get larger. The logic is that current estimates for states with late maturing crops are conservative and will get larger with normal harvest conditions. While monthly changes in production estimates depend on the characteristics of the individual year, it is revealing to examine the tendencies in those monthly changes.

One approach is to examine previous years when the September estimate was below the August estimate to determine the direction of change of subsequent estimates. In the case of corn, there were nine years between 1974 and 1988 when the September production estimate was below the August estimate. The October estimate was below the September estimate in six of those years, was above the September estimate twice, and was unchanged once. The two years of a larger estimate were 1975 (50 million bushels) and 1988 (91 million bushels). Two of the years in which the October estimate was below the September estimate were drought years (1980 and 1983), and one year (1974) had an early killing frost. The other three years (1976, 1984, and 1986) were more normal years.

In the nine years with smaller September and October production estimates, the January estimate was larger than the September estimate in five years, smaller in three years, and unchanged in one year. Historical tendencies suggest that the October 1989 corn production figure will not be larger than the September estimate. The final estimate released in January, however, may be larger than the September figure if harvest conditions are favorable.

In the case of soybeans, there have been six years since 1974 when the September estimate was below the August production estimate. In four of those years, the October estimate was below the September estimate. The average decline was 13 million bushels. The October estimate was above the September estimate twice, by an average of 21 million bushels.

For the six years when the September estimate was below the August estimate, the final estimate released in January was below the September estimate four times and larger two times. The variation from September to January ranged from an increase of 79 million bushels to a decrease of 167 million bushels.

Historical tendencies cannot be relied upon for projecting the patterns of production estimates for a particular year. That evidence, however, suggests that the October soybean production figure will be below the September estimate. The late maturing crop and forecasts of a return to wet weather support that conclusion.

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