Cooperative Extension Service

WEEKLY OUTLOOK

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WILL CORN AND SOYBEAN PRODUCTION ESTIMATES INCREASE?

As indicated last week, the USDA's September corn production estimate was significantly larger than the August estimate. Recent history shows that a large corn crop tends to get bigger as the season progresses. There have been 5 years in the past 15 years in which the September production estimate exceeded the August estimate. Those years were 1977, 1978, 1979, 1981, and 1985. The magnitude of the increase ranged from 137 to 295 million bushels and averaged 200 million bushels, or 2.8 percent. The increase in 1990 was 268 million bushels, or 3.4 percent.

In each of the years in which the September estimate exceeded the August estimate, subsequent estimates were progressively larger. The final production estimate released about a year after harvest exceeded the September estimate by an average of nearly 400 million bushels, or 5.5 percent. The range was 180 to 660 million bushels. On average, the national average yield in those 5 years was 5.6 bushels above the August estimate and 2.6 bushels above the September estimate.

The one year that production estimates did not follow the typical pattern for large crops was 1982. Production was record large in 1982 and the production estimate varied by only 15 million bushels, or 0.2 percent, from August through November. The final production estimate was 84 million bushels below the September estimate.

If production estimates for the 1990 crop follow the average pattern of the 5 years described above, the final estimate will be near 8.5 billion bushels. The market clearly does not expect a crop of that magnitude. A larger crop than estimated this month, however, probably should be expected.

The price pattern for corn in the years of progressively larger production estimates was the same. Prices were lowest in the fall and highest in the following spring or summer. The highest average monthly price of corn was above the lowest average monthly price by 25 to 90 cents per bushel. The average increase was 60 cents per bushel.

In the case of soybeans, the September production estimate this year was unchanged from the August estimate. An unchanged estimate also occurred in 1984, 1986 and 1988. In

1984, subsequent estimates were smaller than the September figure and the final estimate was 67 million bushels, or 3.3 percent, below the September estimate. In 1986, subsequent production estimates were slightly larger than the September figure, but the final estimate was 37 million bushels, or 1.9 percent, smaller than the September estimate. In the drought year of 1988, the September estimate was the smallest of the year. The final production estimate was 77 million bushels, or 5.2 percent, larger than the September estimate.

Based on the pattern of production estimates described above and the nature of the growing season in 1990, the final soybean production estimate is expected to be near the current estimate of 1.835 billion bushels. If so, the crop will be the smallest for a non-drought year since 1977.

In non-drought years, soybean prices tend to be lowest at harvest and highest in the spring and summer. That pattern is not uniform, however. Prices were remarkably stable in the 1981-82 marketing year, with lows reached just prior to the harvest of the record 1982 crop. Prices moved lower during the 1984-85 marketing year due to very poor export demand and a large crop in 1985. The current year is expected to follow the pattern of higher prices later in the marketing year. Prices are expected to recover more quickly than corn prices if a reduction in soybean acreage in Brazil is confirmed this fall.

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