

# CROP MARKETING STRATEGIES

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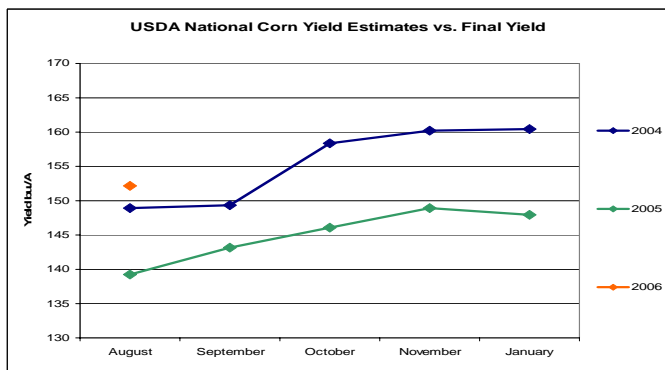
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## USDA August Report: Fact or Fiction

On August 11<sup>th</sup> the USDA National Ag Statistics Service (NASS) released the August Crop Production Report. This is the first “in-field” crop estimates for the U.S. spring planted crops. The report found the national average corn yield to be 152.2 bu/A. That is the largest August yield estimate on record, and 2 bushel higher than the average trade guesses following adverse summer growing conditions in much of the Western Corn Belt.

Note in the chart below, that since 2004 monthly reports that follow August reflect a general increase in corn yields for subsequent months with a final yield reported in January.



Source: USDA NASS

## Reliability

NASS draws their sample fields from the larger population of corn and soybean crops in the 10 major corn producing states and 11 major soybean producing states nationwide. The margin of error for these August estimates is 6.2% for corn and 6.5% for soybeans, respectively.

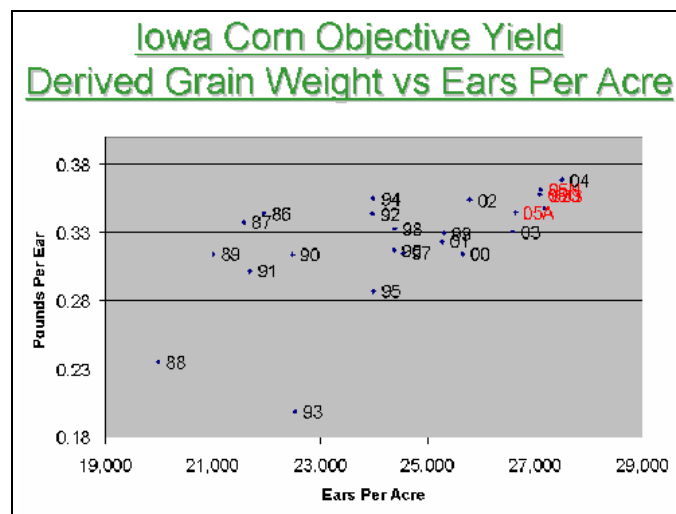
The objective yield estimates of the population of Iowa corn fields are drawn from the area survey selected in June by NASS. For soybeans, the entire state is a part of the population.

Measurements are made in selected fields and enumerators collect yield data each month as they return to the same fields until the crop are harvested. In Iowa for the August 2006 survey, 330 corn fields and 240 soybean fields were selected.

In addition, NASS conducts mailed and phoned surveys of producers regarding potential yield estimates. In Iowa, the sample size is a total of 828 for collecting both corn and soybeans yield estimates.

Over the past 20 years, 65% of the time the corn yield estimates increase from August as compared to the final yield released in January. In recent years, the key factor driving these annual estimates in August is the number of corn ears per acre. While NASS’ enumerators actually count and weigh the ears, it is usually difficult to estimate the size the ear the first week of August. As the ear fills the estimate becomes more accurate in reflecting actual grain yield.

Note in the chart below that over the past 5 to 6 years, both the count of ears per acre and weight reflected by pounds per year has increased.



Source: USDA NASS

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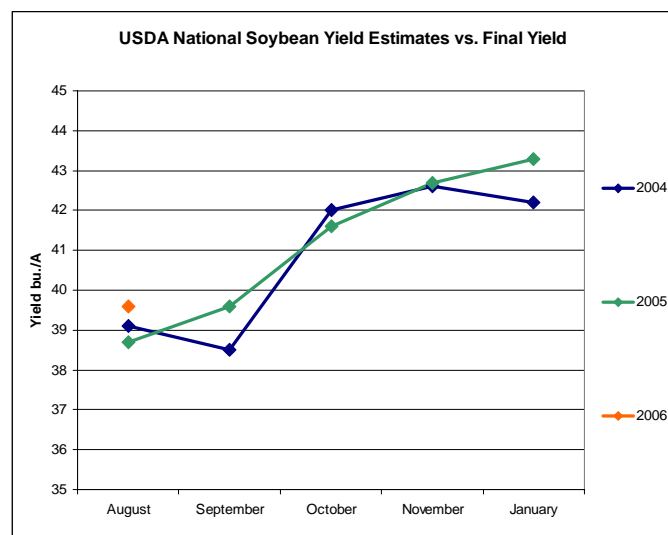
Since the year 2002, ear counts and ear weight have trended higher. While plant genetics are a large part of these increases, so too would be higher plant populations, good emergence and improved practices of soil and water management.

While 2006 crop growing conditions were adverse during the early summer months, early planting into near ideal soil conditions for much of the state was a tremendous benefit to the corn crop. Plant populations were extremely high and thus large ear counts could be expected.

In the August 11<sup>th</sup> report, NASS estimated the Iowa corn crop to average 173 bu/A, the same average reflected in the 2005 final corn yield. While hot, dry conditions persisted into much of July for most of the western half of Iowa, near ideal conditions and subsoil moisture maintained the corn plant. Timely August rains returned in order to provide for late season ear fill. While many ears may be “tipped back” the number of ears and kernel size should benefit from late summer growing conditions.

## Soybean Yields

In early August, soybean yields are very difficult to estimate even using NASS’ scientific methods. That’s because the soybean plant can continue to add pods well into August. In addition, the size of the beans in the pod is still being determined.



Source: USDA NASS

NASS estimated a U.S. soybean yield for August 2006 at 39.6 bu/A, which is higher than the two previous August reports. Note that for subsequent production reports in both of these years the final yield estimate in January was well above the August number.

August weather and crop growing conditions into early September will likely determine the size of the U.S. soybean crop. Nearby soybean futures price should reflect the size of this crop as the ending stocks is record large as of September 1<sup>st</sup>.

## Conclusions

The yield estimates provided by USDA NASS are derived by “in-field” estimates from randomly sampled fields statewide for the primary producing corn and soybean states.

Each subsequent month following August, these estimates become more reliable in predicting actual crop yields. While many private estimates are made regarding U.S. crop size, the scientific methodology provided by NASS far exceeds other efforts for accuracy and reliability.

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