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Corn Prices Fall Sharply After a Larger-Than-Expected Estimate of Crop

By THE ASSOCIATED PRESS

The nation's farmers have planted the second-largest corn crop in nearly seven decades, the Agriculture Department reported Thursday, setting off a sharp decline in prices.

The size of this year's corn crop will be 92.3 million acres, the department said, 9 percent more than the average annual corn crop over the last decade. The only crop bigger in the last 67 years was planted in 2007.

Many analysts had worried that wet weather this spring would cut the number of corn acres. But high prices encouraged farmers to use more acres for corn, and less for soybeans and wheat.

A larger crop estimate drove corn futures 30 cents lower, to nearly \$6.21 per bushel. That is the maximum price change allowed by futures exchanges. Corn rose to a high of \$7.99 per bushel in June.

More expensive grain has led to food price increases this year. That could ultimately make everything from beef to cereal to soft drinks more expensive at the supermarket. For all of 2011, the department predicts [food prices](#) will rise 3 to 4 percent.

A huge harvest in August could ultimately slow food inflation. It typically takes six months for changes in commodity prices to affect retail food prices in the United States. Analysts said consumers could see some relief at the supermarket by early 2012.

"All of us who perceived tighter supplies up to this point, all of us were proven wrong today,"

said Jason Ward, an analyst with Northstar Commodity in Minneapolis.

Industry traders had expected 90.8 million acres of corn to be planted. Knowing that far more corn is in the pipeline will likely pull grain prices down significantly this summer, Mr. Ward said.

Farmers chose to plant corn at the expense of this year's soybean crop. They planted 75.2 million acres of soybeans, about 3 percent less than last year.

Farmers have a limited supply of good farmland and usually trade one crop for another on their acreage.

"It seemed to me there was \$100 to \$150 per acre more money in the corn than there was in the beans," said Tom Kreutzer, who planted 150 acres of corn on his farm near Wakeeney, Kan. "That's the kind of math that a lot of guys were using."

A separate report from the Agriculture Department on Thursday estimated the United States had 3.67 billion bushels of corn in storage. Most analysts were expecting a reserve of 3.3 billion bushels, said John Sanow, an analyst with Telvent in Omaha. If the reserve estimate is accurate, it means backup supplies could be higher this year and next. That would ease fears of a shortage.

Still, in August corn reserves are expected to hit their lowest level since 1995, according to the most recent department estimate. Global demand from ethanol producers and livestock owners has risen faster than farmers' production over the last decade.

Higher corn prices make soybeans and wheat more expensive because farmers plant less of them.

Raised expectations for this fall's corn crop also helped lower soybean prices in trading on Thursday. Soybeans fell 29 cents to \$12.94 a bushel.

A bigger crop doesn't guarantee lower food prices. A drought or flood could limit the size of the harvested crop.

Mr. Ward said many of the acres planted this spring were on marginal land that would not yield

much grain.

Corn is a key ingredient in feed for poultry and livestock, and a staple in many processed foods. When corn prices rise, food processors and grocers pass along the higher costs to the consumer.

Surging corn and soybean prices are showing up at the grocery store this year.

In May, a sirloin steak cost about 7 percent more than last year, according to the most recent available Bureau of Labor Statistics figures. The price of pork chops jumped 9 percent. The price of spaghetti and macaroni noodles, which often contain soybean meal and corn syrup, jumped 13 percent.