

By David Pitt

Associated Press

The U.S. Department of Agriculture slightly lowered its forecast for the nation's drought-damaged corn crop in its monthly report released recently, pegging the average yield per acre at its lowest point since 1995.

The USDA kept its estimate of the total area of corn harvested for grain at 87.4 million acres, bucking predictions from some analysts that the figure would drop given reports of farmers chopping down underdeveloped corn plants to feed their livestock. But the yield per acre estimate this month dropped from 123 bushels last month to 122.8 bushels.

Farmers planted more corn this year than in any other since 1937, so despite one of the nation's worst droughts in decades, the U.S. is expected to produce its eighth largest corn crop on record.

Total corn production for this season is now forecast at 10.73 billion bushels, down slightly from last month's estimate. Farmers planted about 96 million acres in corn, a large increase from just a decade ago when less than 80 million acres were planted.

The report is expected to stabilize corn prices, which have been at near record highs, and to help farmers who depend on the grain to feed livestock.

"This hopefully will give them a little chance to take a breath and catch up to this market because it's been on a roll for them for a while," said Chad Hart, an agricultural economist at Iowa State University. Iowa, Illinois, Nebraska, Minnesota and Indiana are the nation's five biggest corn-producing states.

Corn for delivery in December hit a record high of \$8.49 a bushel in August, but it has since settled down and was trading at \$7.69 in Wednesday morning trading.

The corn market has been stabilizing as the harvest began early and it became clear that although the drought had caused significant damage for some farmers, it had not destroyed the crop for this year.

The market had expected a more severe crop loss, so prices soared over the summer. But costs started coming down once farmers began to harvest their crops, said Darin Newsom, senior analyst for Telvent DTN, a commodity trading and information provider.

The USDA's estimate of average farm corn prices was reduced to a range of \$7.20 to \$8.60, from an earlier estimate of \$7.50 to \$8.90 for this marketing year.

The report contains no new information that would affect consumers, Newsom said.

"We have high prices and we've had high prices. Eventually those will filter into the grocery store," he said. The harvest began earlier than usual this year because the warm spring allowed planting a couple of weeks ahead of schedule. The early harvest has helped corn supplies exceed last month's estimate by 108 million bushels, putting them at 11.98 billion bushels.

The USDA said about 11 percent of the crop was harvested prior to the Sept. 1 start of the 2012-2013 crop marketing year. That allows for about 1.2 billion bushels of newcorn to be available before the end of the previous marketing year, helping alleviate some of the supply pinch.

But globally supplies of corn remain tight and the major users—livestock farmers, the ethanol industry and other countries importing it—will be forced to negotiate their level of use, a sort of market rationing that takes place in years of low supply.

Soybean production was projected at 2.63 billion bushels in the report, down 58 million from

last month's estimate due to lower yields in the Midwest. Soybean exports were reduced 55 million bushels to 1.06 billion mainly due to reduced supplies. Soybean ending stocks were projected unchanged at 115 million bushels, a nine-year low.

As a result of sustained demand and low supply, soybean prices are expected to remain high. The USDA estimated the season-average soybean price to remain at \$15 to \$17 per bushel. Soybeans for November delivery hit a record high \$17.89 last week. They were at \$17.32 in morning trading.