

Corn Futures Plunge as U.S. Unexpectedly Raises Forecast

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Corn futures fell to a seven-week low and soybeans plunged the most in six years after the U.S. unexpectedly raised its crop forecasts, citing higher yields than anticipated.

The corn harvest will be 13.686 billion bushels, compared with 13.53 billion projected in July, the U.S. Department of Agriculture said Wednesday after its first survey-based review for this year's crop. The forecast topped the 13.332 billion average of 31 analysts surveyed by Bloomberg News. Last year, output rose to a record 14.216 billion. The soybean outlook also exceeded expectations.

The government [report](#) surprised investors because the crop year began with record June rain in Illinois, Indiana and Ohio, washing away newly sown crops. The USDA forecast [yields](#) at all-time highs in Iowa, Minnesota, Nebraska, South Dakota, Wisconsin and Michigan.

"Production is better than expected because record yields in the western Midwest offset losses in the east from too much rain," Don Roose, the president of U.S. Commodities Inc. in West Des Moines, Iowa, said in a telephone interview. "It's a supply bear market and that means consumers will be very patient to buy ahead."

Corn futures for December delivery fell 5 percent to close at \$3.68 a bushel at 1:20 p.m. on the Chicago Board of Trade. The price touched \$3.575, the lowest for a most-active contract since June 22.

Soybean futures for November delivery tumbled 6 percent to \$9.1325 a bushel, the biggest drop since July 7, 2009.

Trading Doubles

The prices earlier fell the most allowed by the exchange. Aggregate trading in both markets doubled compared with the 100-day average for this time, according to data compiled by Bloomberg. Corn is the biggest U.S. crop, followed by soybeans.

Larger supplies of corn may reduce costs for ethanol refiners including Archer-Daniels-Midland Co. and Valero Energy Corp. and meat producers such as Tyson Foods Inc. and Smithfield Foods Inc., which buy the grain for livestock feed.

Shares of agricultural equipment makers fell after the USDA data was released. Deere & Co., the largest tractor manufacturer, dropped as much as 4.7 percent. AGCO Corp. slid as much as 5.2 percent.

U.S. corn reserves on Aug. 31, 2016, the end of the next marketing year, will be 1.713 billion bushels, compared with 1.599 billion forecast in July and 1.772 billion this year, the USDA said. Inventories were expected to fall to 1.449 billion, according to the average estimate of analysts in a Bloomberg survey.

'Supply Shock'

"This supply shock is more bad news for farm incomes," Steve Nicholson, a vice president of food and agriculture research at Rabo AgriFinance Inc. in St. Louis, said in a telephone interview. "It's going to be a tougher year than farmers expected, especially those that did not forward sell this year's crop at higher prices."

Soybean production will be 3.916 billion bushels from a record 83.5 million harvested acres, the USDA said. The

output estimate topped 3.885 billion last month and the average estimate for 3.742 billion from analysts.

Reserve supplies before next year's harvest will almost double to 470 million bushels from 240 million, the USDA said. Analysts expected 322 million.

"The market was working to set itself up for a pretty solid reduction," said Angie Setzer, vice president of grain for Citizens Elevator in Charlotte, Michigan. "I'm surprised that it came in as bearish as it did."

Wheat futures for December delivery fell 2.9 percent to \$4.9725 a bushel. Earlier, the price touched \$4.8825, the lowest since June 19.