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FOOD FUTURES

Corn slumps as data show surprise gains in acreage Analysts says USDA report might not capture the extend of flooding damage

By [Moming Zhou](#), MarketWatch
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SAN FRANCISCO (MarketWatch) -- Corn prices slumped Monday, pulling back 4% from the record high set on Friday, after government data showed farmers planted more corn than expected, offsetting the impact of flooding that has been damaging farmland in the Midwest.

Corn futures for July delivery slumped 30 cents, or 4%, to close at \$7.248 a bushel on the Chicago Board of Trade. Futures fell to an intraday low of \$7.16 earlier. Corn ended on Friday at a new record closing high of \$7.548.

"Corn was ripe for a correction after the huge surge in prices over the last month," said Shawn Hackett, president of agriculture futures brokerage Hackett Financial Advisors. "The report was just a good excuse to lock in profits."

Despite the slump on Monday, corn ended June trading up 21% on concerns that the massive Midwest floods, the worst since 1993 by some estimates, could have damaged millions of acres of the crop. Corn futures jumped 28% in the second quarter and surged 60% in the first half of the year.

The Department of Agriculture's latest crop acreage report showed that corn planted area for the 2009 crop season is expected to be 87.3 million acres, 1.3 million higher than the USDA's March report. The report also showed corn growers are expecting to harvest 78.9 million acres, up 100,000 acres from three months ago.

Hackett had expected that Monday's report would show corn harvested area of 77 million acres. [See full story](#).

The USDA said earlier this month that corn year-end inventories will fall to 673 million bushels in the 2009 season, the lowest in 13 years.

Despite the surprise increase in the crop acreage, analysts said that many acres could still be abandoned at a later date and that the acreage situation will be worse than the report sounds.

"It's hard to expect these figures to have much lasting impact on the market's trend," said Elaine Kub, a grain analyst at futures information provider DTN.

Monday's acreage report is mostly based on surveys the USDA did over the first two weeks of June, before much of the flooding occurred.

"This report could be very inaccurate given the timing of when it was done," said Hackett. "I believe that the acreage number will likely come down in future surveys."

In an effort to more accurately assess the damage, the USDA said more surveys will be conducted in July, with the latest information to be included in its Aug. 12 crop production report.

Soybeans

Also Monday, the USDA reported soybean planted area is estimated at 74.5 million acres, down 300,000 acres from its March report. Soybeans harvested acres are expected to be 72.1 million, down 1.7 million acres.

Some farmers shifted over their soybeans fields to plant more corn as they expected to make more money from the latter, analysts said.

During planting season, corn futures were above \$6 a bushel. With estimated yields of about 150 bushels an acre, farmers expected to make \$900 an acre from corn, according to Kub's calculation.

Soybeans prices were about \$13 a bushel. With estimated yields of 40 bushels an acre, farmers could only make \$520 from one acre of soybeans.

"Even though the input costs are higher for corn, the best economic decision a farmer could make during springtime was to plant as much corn as possible, rather than soybeans," said Kub.

But the flooding could have reduced corn yields and have taken away corn's profit advantage. Expected revenue for most corn fields is no longer anywhere near \$900 an acre, Kub said.

Soybean futures for July delivery rose 1.5% to \$16.05 a bushel.

Also on the CBOT, July wheat tumbled 5.8% to \$8.435 a bushel. ■

Moming Zhou is a MarketWatch reporter, based in San Francisco.

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