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Crop report shows higher corn prices

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Expect to pay a bit more for your corn on the cob this Fourth of July weekend.

"The price of corn at the supermarket will be significantly higher compared to last year," said Matt Roberts, an agricultural economist at Ohio State University.

That's one of the few definitive conclusions consumers can draw from Monday's U.S. Department of Agriculture crop report -- the first to assess the impact of heavy Midwest flooding on this year's corn harvest. USDA reinterviewed 1,200 farmers last week to get the most updated information.

While supplies of feed corn are more plentiful than expected, farmers expect to harvest nearly 9 percent fewer acres of corn this year.

Feed corn is the staple for hogs, cattle and chickens, and its price often affects the cost of sweet corn and popcorn, the kinds humans eat.

Farmers expect to harvest 78.9 million acres of feed corn, down 8.78 percent from last year's 86.5 million acres. That almost definitely will drive up prices for meat and dairy products that come from farms that rely on corn to feed their animals.

A shortage of feed corn could also raise prices for processed foods such as corn flakes or soda (made from high-fructose corn syrup), but to a smaller degree.

The full impact on food prices won't be known until the end of summer, but it's likely to mean more bad news for supermarkets.

"Anything that constrains supply, and particularly the supply of corn, which we already knew was constrained because of ethanol, is definitely bad news," said Tom Heinen, co-president of Heinen's Fine Foods, a chain of 17 supermarkets based in Warrensville Heights.

He said supermarkets are already eating some of their increased costs because they can't pass along all of them to consumers and keep prices reasonable.

"People think we're just the middle man, but when prices go up, at some point we're going to be impacted," Heinen said.

Corn futures, which were about \$6 a bushel in early June and had risen to \$7.55 by Friday, dropped nearly 30 cents to about \$7.25 Monday on the Chicago Board of Trade.

Prices fell because analysts had been projecting more damage from the floods and a bigger shortfall in the corn harvest, said Shawn Hackett, president of Hackett Financial Advisors Inc. of Boynton Beach, Fla., which specializes in agricultural commodities.

"Unquestionably, we're going to see an additional spike as the prices go through the food chain" by the end of the summer, but he could not say how much prices might rise.

Roberts, the OSU agricultural economist, said one toll of the flooding is a delayed growing season.

"Even though a lot of the corn has been replanted, it has been replanted late in the season and into very

wet soil, which affects root development and makes it much more susceptible to drought this summer," he said.

In addition, corn seed used in second and third plantings is by nature not as robust and could mean a lower yield or fewer, smaller ears.

"If we have great weather for the rest of the year, [the floods] may not mean anything," Roberts said. But if not, already record-high prices could skyrocket. "Our margin for error in weather has declined."

The Associated Press contributed to this story.

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