

U.S. Farmers to Plant Less Corn, Likely Further Pressuring Prices
(Associated Press, DC)

Farmers are expected to plant less corn this year, according to the Department of Agriculture, and that could mean higher bills at the grocery store.

Corn prices have skyrocketed in recent years, helped by the burgeoning ethanol industry, which turns the crop into fuel, and rising worldwide demand for food. The higher prices have hurt poultry, beef and pork companies, who use corn to feed their animals.

Farmers are expected to plant 86 million acres of corn this year, the government predicted Monday, down 8% from 2007, when the amount of corn planted was the highest since World War II. The decreased supply could drive corn prices even higher -- a cost for food producers that could be passed on to consumers.

According to the agriculture department, corn planting is expected to remain at historically high levels but could be down this year because of the high expense of growing corn and favorable prices for other crops, such as soybeans.

As many farmers have made that switch, soybean planting is expected to be up 18% this year, at almost 75 million acres. The largest increases in soybean planting are expected in Iowa and Nebraska.

The USDA report gives the planting season's first official peek at how much corn, wheat, soybeans and other grains farmers intend to plant. Traders make investment decisions based on the expected number of planted acres, while farmers use the report to decide which crops might maximize their profits.

Last year, the report stirred intense global interest as the USDA predicted -- correctly -- the largest planting of corn acres since World War II. With grain prices pushing higher, the new report will be just as closely scrutinized for how an expected reduction in corn acres ripples through the U.S. economy.

Corn already is trading near its record-high price of \$5.70 a bushel, more than double the price of two years ago. Soybeans are hovering near \$13 a bushel, nearly double last year's level.

But with stocks of corn and other staple grains lower than they have been in decades, grain markets are anything but stable. Agriculture exports are expected to rise to a record this year as China, India and other foreign nations clamor for grains to eat and to feed livestock. As corn-fueled ethanol production keeps growing, corn used for ethanol will make up more than 30% of the corn crop by next year, up from 14% in 2006. Packaged-food companies are hoping not to have to push further price increases for bread and other staples onto consumers.

Already corn stocks at the end of this year's marketing year, which ends the last day of August, are projected to be the lowest in decades at 542 million bushels, says Joe Victor, a grains analyst at brokerage firm Allendale Inc. That is equivalent to about 28 days of corn. In 2005, the grain cupboards had about 70 days of corn. "We're living on the edge of a knife," Mr. Victor recently told a group of investors at the Chicago Board of Trade. "There is no room for error."