Export Demand For U.S. Soybeans And Corn May Increase

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A drought that damaged crops in South America could send more overseas buyers to the U.S. for soybeans, the government said Tuesday.

The U.S. Agriculture Department on Tuesday cut its forecast for soybean inventories to 250 million bushels by the end of the growing season. It also raised its forecast for soybean exports by 15 million bushels to 1.29 billion bushels.

The agency also said that an early start to the planting season and softer demand from ranchers and ethanol producers could cause corn supplies to build by summer's end. But for now, it's leaving its forecast unchanged.

The drought in Brazil and Argentina earlier this year damaged both soybeans and corn crops. That should create strong demand for U.S. corn, too, said Jason Ward, a commodities analyst with Northstar Commodity.

Soybean inventories already are tight in the United States and globally. U.S. farmers are expected to plant 73.9 million acres in soybeans this year, which is a decline of 1 percent from a year ago. Analysts say that could leave soybeans in very short supply by August 2013. Much depends on the size of the U.S. harvest this year.

Corn supplies have remained small because of strong demand from livestock producers and ethanol manufacturers. A mild spring allowed farmers to get an early start on planting. They are expected to plant 91.9 million acres in corn, the highest amount since 1937.

The strong demand and short supplies have kept corn prices above $6 a bushel for much of this year. That is expected to prompt ranchers to buy more wheat for livestock feed because it is cheaper and plentiful, the Agriculture Department stated. At the same time, ethanol supplies are high, which caused corn production to drop in February and March.

The Agriculture Department has forecast:

— Soybean supplies were forecast at 250 million bushels at the end of the season, 25 million bushels less than the March estimate and 35 million bushels more than the inventory at the end of last year's harvest. Exports were raised 15 million bushels to 1.29 billion bushels.

— Corn supplies are expected to total 801 million bushels by the end of August. The estimate is unchanged from one issued in March but 327 million bushels less than stockpiles on hand in August 2011. Exports were forecast at 12.7 billion bushels.

— U.S. wheat inventories are expected to total 793 million bushels by the end of harvest. The forecast is 32 million bushels less than one issued in March and 69 million bushels less than the inventory at the end of last season. The forecast for exports was unchanged at 1 billion bushels.

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