

Corn's Price Drops as U.S. Farms Shift to Soybeans

DAVID PITT, Associated Press

DES MOINES, Iowa (AP) — Farmers spent the last few years planting as much corn as they could, but with its price half what it was a couple of years ago, the crop's golden luster has dulled and many growers are considering shifting acreage back to soybeans.

A December survey of more than 1,600 producers by Farm Futures, an agriculture-focused magazine and website publisher, indicated farmers intend to reduce corn planting to 92 million acres, a 3 percent reduction from last year, and boost soybeans about 7.6 percent over last year to 82.3 million acres. That would be a soybean acres record.

The official word on farmers' intentions won't be released by the U.S. Department of Agriculture until March 31.

"Farmers are going to plant what's going to make them the most money," said Kevin Scott, who farms on about 2,500 acres in the southeast corner of South Dakota near Valley Springs. "In the years past, corn on corn on corn made them the most money. When it doesn't pay to do that, they're going to switch. The economics on soybeans are OK so they're going to come back to it."

Even if corn production falls by a few million acres and prices rise it's unlikely to have much effect on grocery prices. Less than 10 percent of the U.S. corn crop is used in food ingredients, like corn flakes and corn meal. Most is used for ethanol production, animal feed and exported.

Still, higher prices could increase the already high cost of meat, because corn is staple of animal feed. And when farmers struggle to make a profit, they're less likely to buy tractors and other equipment, which can have a ripple effect on manufacturers and farm communities.

Over the next six week, farmers will monitor price swings and choose what to plant.

Futures prices for corn from next year's harvest are now near break-even or are below cost for many farmers. Soybean prices are more profitable but could drop if South American farmers have a good harvest in February and March, boosting global supply.

"That's why everybody has to keep their pencils pretty sharp on the corn versus beans equation," said Darrel Good, an agriculture and consumer economics professor emeritus at the University of Illinois.

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A popular rule of thumb has been for farmers to plant more soybeans if the price is at least 2½ times that of corn. Currently, the market prices soybeans for delivery next November at \$11.23 per bushel. The comparable corn price is \$4.54. That puts the soybean price at 2.47 times corn price.

Many farmers have been planting more corn in the last few years because prices were so high.

Corn demand began increasing in 2008 as ethanol production boomed. Prompting some farmers to put land back into production that had been enrolled on conservation programs and to pull out fences and take down barns to clear additional acres to plant.

More than 97.4 million acres were devoted to corn in 2013, which was the most since 1936.

That meant more corn in prime corn and soybean growing states, including Illinois, Indiana, Iowa, and Minnesota and Ohio. The high prices also prompted farmers to gamble on corn in states with soil less suited for the crop, such as Kansas, portions of Nebraska, North Dakota, and parts of South Dakota.

Some farmers planted corn repeatedly, a change from the practice of planting about half their land in corn and soybeans, then rotating crops between fields from year to year. Soybeans naturally deposit nitrogen into the soil and corn removes it, so alternating between the two crops provides farmers with free nitrogen the corn needs.

Rotating the two crops also provides benefits in weed and insect control and can help reduce pesticide and herbicide costs. Farmers who plant corn fields where corn was just grown must buy nitrogen fertilizer to put on the soil. However with high corn prices, farmers could justify the extra cost and many strayed from the optimum rotation.

Grant Kimberly, who farms nearly 4,000 acres with his father in central Iowa, said about 10 percent of the fields on his family's farm remained unplanted last year because of too much moisture. The family hasn't decided what to plant this year, but current factors favor beans.

"Overall we're shifting our rotation back to where we want to be, closer to 60 percent corn and 40 percent soybeans. We have been more of a 70/30 in the past few years," he said.

Wayne Fredericks, who farms nearly 1,000 acres in northeast Iowa near Osage, said he expects many farmers to follow suit.

"Maybe you'll see some of those acres come back to soybeans, getting closer back to that 50/50 corn-soybean rotation," he said.

Chris Hurt, an agriculture economics professor at Purdue University in Indiana, said

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he wouldn't be surprised to see a few million acres shift from corn to soybeans. He said the demand for corn has slowed and that this will be the first year it's reflected significantly in the market.

"This is a flattening out of demand for corn," he said. "You don't have that growth of demand anymore and here is the year that we're seeing it."

Corn was selling above \$8 per bushel in the summer of 2012 and had fallen to around \$4.26 per bushel Thursday on the Chicago Board of Trade. Last week, corn dropped to its lowest price in more than 3 years on the news of a large increase in ethanol supplies. Prices rebounded slightly Friday after the U.S. Department of Agriculture cut back its estimate of last year's corn crop by 64 million bushels to 13.9 billion.

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