

US Farmers Will Produce Record-Breaking Corn This Year

DAVID PITT, Associated Press

DES MOINES, Iowa (AP) — Farmers will produce a record-breaking corn harvest this year, surpassing earlier expectations of the U.S. Department of Agriculture, which on Tuesday revised upward its estimate of this year's corn crop to 14 billion bushels to exceed last year's 13.9 billion bushel record.

A bigger crop was expected as adequate rain and cool temperatures made for favorable growing conditions in the 18 states that produce 91 percent of the nation's corn. The abundant harvest has driven prices lower, prompting farmers to take more control of their grain marketing by building more on-farm storage, holding onto the crop and timing the sale to maximize profit.

The USDA said the amount of corn produced from each acre will reach a new nationwide average of 167.4 bushels, up from the earlier spring estimate of 165.3 bushels. The record 164.7 bushels per acre average was set in 2009.

Iowa remains the nation's top corn producer with an expected 2.44 billion bushels. Illinois is a close second with 2.22 billion bushels, followed by Nebraska with 1.51 billion and Minnesota with 1.34 billion.

Soybean production also will set a new record of 3.8 billion bushels, the USDA said, confirming its earlier prediction. The previous record was 3.4 billion bushels in 2009. Soybean production per acre also will break a record with a yield 45.4 bushels, beating the 2009 record of 44 bushels per acre.

Farmers have been forced to exercise more control over grain marketing by storing it until prices pushed lower by the large harvest improve.

"Either through permanent or temporary storage, you're going to see huge quantities going into storage," said Scott Irwin, a University of Illinois professor of agricultural and consumer economics. "Elevators will pile it onto the ground. Farmers may put it in these long plastic tubes out of South America."

The tubes are temporary plastic bag storage systems that have become increasingly popular in the past few years after successful use in Argentina and Canada. The bags when filled can be the length of a football field and 8 to 10 feet in diameter. They can store grain for several months.

The storage increase is driven by low prices, problems with availability of rail cars to ship grain in the Midwest, and trucking bottlenecks that occur at elevators during harvest, said Craig Fisher, a Richardton, North Dakota, farmer who sells bags and bagging equipment.

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"It's fundamentally changed farming for me," he said. "I can farm all I can handle now and not worry about bottlenecks. I can store it in the bags and worry about trucking it later."

The construction of permanent grain bins also has increased. Farmers stored 11.78 billion bushels of grain on farms in 2012, according to the latest data available from the USDA. That was up 20 percent from 2002.

On-farm grain storage has become one way farmers take more control of their own grain marketing.

"By being able to store it, if a farmer can keep the grain off of a glut of supply, he may be able to sell it in December at a much better deal," said Chip Nellinger, a futures market specialist at Blue Reef Agri-Marketing Inc., a risk management and agricultural product marketing firm in Morton, Illinois.

Corn for December delivery fell 14 percent during July. It was trading around \$5 a bushel until it began a steep decline in early May.

It traded at \$3.65 a bushel as Tuesday's report was released.

Soybeans for November delivery were trading at \$10.58 a bushel. They had been above \$12 as recently as June.

The lower prices won't immediately lower the cost of groceries, although they could help bring down prices of beef and pork since livestock producers will pay less for feed that contains corn and soybeans.

The lower prices have a significant impact on profitability for farmers since they're harvesting a crop that cost them more to produce than they can immediately sell it for.

"It's hard to sell \$5 corn when you recently sold \$6 corn. And it's really hard to sell \$4 corn," said Chad Hart, an agriculture economist at Iowa State University.

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