

USDA Raises Corn Forecast

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Corn prices fell 0.2% to a one-month low after the U.S. Department of Agriculture boosted its forecast for domestic supplies of the grain. The USDA, citing weak export demand for U.S. corn, es-

timated that stockpiles will total 632 million bushels before this year's harvest, a 5% increase over its forecast last month.

The higher-than-expected estimate provides only slight relief for corn buyers such as ethanol companies and livestock producers, which have grappled with higher corn prices since last year. The USDA's forecast for supplies as of Aug. 31 would still mark the lowest level for that time of year since 1996.

Corn supplies are still "real, real tight," said Sid Love, an analyst with agricultural-advisory firm Kropf & Love Consulting in Overland Park, Kan.

Corn for March delivery fell 1.75 cents to \$7.09 a bushel at the Chicago Board of Trade, the lowest settlement since Jan. 11.

For wheat, the USDA cut its forecast for domestic supplies at the end of May, when the wheat marketing year ends, by 3.5%, to 691 million bushels, citing greater demand for the use of wheat as animal feed. The reduction came as a surprise to analysts, who had expected the government to raise its estimate.

Wheat futures for March delivery at the CBOT edged up 0.25



A cut in the forecast for domestic wheat supplies was unexpected.

cent, or 0.03%, to \$7.5625 a bushel.

Corn inventories are tight because of last summer's severe drought in the U.S., which resulted in the country's smallest corn harvest in six years and pushed futures prices to a record \$8.3125 a bushel on Aug. 21. But prices then tumbled as demand for corn cooled among foreign importers and ethanol makers.

The USDA said demand from foreign buyers remains tepid. It lowered its forecast for U.S. corn exports for the crop year that runs through Aug. 31 by 5.3% from its forecast last month.

One reason the USDA expects exports to slump is that it predicts a large corn crop in Brazil, which would create greater competition for the U.S., the world's largest corn producer and exporter. The government raised its forecast for Brazil's corn pro-

duction this year to 72.5 million metric tons, higher than analysts expected. Weather for crops now growing in Brazil generally has been favorable.

Meanwhile, the USDA raised its forecast for global soybean supplies this year by 1.1% to 60.1 million metric tons, also more than analysts expected. That contributed to declines in soybean futures, which fell to a one-week low. Soybeans for March delivery settled down 34.25 cents, or 2.3%, at \$14.525 a bushel.

Soybean traders were disappointed that the USDA didn't raise its estimate for U.S. soybean exports, which have been strong lately, said John Kleist, a senior analyst with EBOT Trading.com in Lakemoor, Ill.

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