

Corn Leads Grain Plunge on Ample U.S. Inventories, Acreage Gains
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By Tony C. Dreibus

March 28 (Bloomberg) -- Corn plunged the most in nine months, sparking a slump in soybeans and wheat, after the U.S. government said domestic inventories were bigger than analysts forecast and that farmers will plant the most since 1936. Inventories of corn on March 1 fell to a nine-year low of 5.399 billion bushels in the U.S., the world's biggest grower and exporter, mostly because last year's drought cut output, the Department of Agriculture said today. While that's down 10 percent from a year earlier, analysts in a Bloomberg survey were expecting a drop to 4.995 billion. Farmers will sow 97.282 million acres, up from 97.155 million in 2012, the USDA said. Prices this month had jumped 4.5 percent before today and reached a seven-week high yesterday on concern that rising demand from makers of ethanol and animal feed would erode inventories before a record harvest arrives in September. After today's USDA report, corn prices plunged the maximum allowed on the Chicago Board of Trade, while soybeans fell the most since November and wheat headed for the biggest drop since 2011. "This is a majorly bearish report," Dennis DeLaughter, an analyst at Vantage RM in Houston, said by telephone. "It's a feed issue, and it tells you that there was more supply to begin with. This would mean commercials haven't bought as much as they normally would, and that adds to the bearishness." Corn futures for May delivery plunged by the exchange's 40-percent limit, or 5.4 percent, to \$6.9525 a bushel at 11:50 a.m. in Chicago, heading for the biggest decline since June 12 and the lowest price since March 7. Trading was 171 percent larger than the average of the past 100 days.

Feeding Less

Operators of cattle feedlots probably used less of the grain as the domestic herd on March 1 dropped 7 percent from a year earlier, more than the 6.4 percent expected by analysts, DeLaughter said. The 2012 harvest also may not have declined as much as the government estimated, he said. The worst drought since the 1930s cut corn production by 13 percent and left inventories on Dec. 1 at 8.03 billion bushels, the lowest for that date since 2003, according to the USDA. Use of the grain in livestock feed for the year that began Sept. 1 is forecast to rise 0.2 percent to 4.55 billion bushels from the previous year, even after the price gained 17 percent in the 12 months through yesterday.

“Heading into the report, we’ve had some decent gains in corn for the last couple of days, so maybe the market was anticipating bullish numbers,” Brenda Tjaden Lepp, the owner and chief analyst of FarmLink Marketing Solutions in Winnipeg, said by telephone.

Soybean stockpiles on March 1 totaled 999 million bushels, also the lowest since 2004 and down 27 percent from 1.374 billion a year earlier, the USDA said.

China Sales

Last year’s drought and increased sales to China eroded inventories in the U.S., which until this year was the world’s biggest shipper of the oilseed. Exports from Sept. 1 through March 14 totaled 31.9 million metric tons, up 24 percent from the same period a year earlier, USDA data show.

Soybean futures for May delivery tumbled 3.1 percent to \$14.09 a bushel on the CBOT, heading for the biggest drop since Nov. 12.

March 1 wheat inventories totaled 1.234 billion bushels, up 2.9 percent from 1.199 billion a year earlier, according to the government. Analysts surveyed by Bloomberg expected 1.165 billion, on average. Demand for the grain in livestock rations may total 375 million bushels in the 12 months through May 31, more than double the amount a year earlier, according to the USDA.

Wheat futures for May delivery tumbled 6.9 percent to \$6.875 a bushel on the CBOT, heading for the biggest decline since September 2011.

Corn is the most valuable U.S. crop, followed by soybeans, hay and wheat, USDA data show. The agency is forecasting that Brazil will overtake the U.S. this year as the biggest exporter of the oilseed.

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