

CROP, FOOD PRICE CONCERNS RISE WITH IOWA'S TEMPERATURES

Written by Heather Lilienthal
Friday, 06 July 2012 13:49

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Drought-like conditions taking toll on Iowa crops

WEST DES MOINES, IOWA – July 6, 2012 – While Midwest corn and soybean crops are wilting from several days of triple-digit temperatures, shoppers wonder if they'll feel the heat of rising food prices later this year.

Economists say even with corn prices climbing to \$7 per bushel on the Chicago Board of Trade yesterday, farmers are facing challenging times because the prolonged heat stress has diminished anticipated yields. Those higher corn prices will also put a pinch on livestock farmers who purchase grains for animal feed. That, in turn, could transpire to higher prices for items such as meat, dairy and eggs at the grocery store.

“Food prices won't jump immediately because of these daily swings in the market caused by reactions to the weather, but there are those trickle-down consequences,” said Dave Miller, director of research and commodity services at the Iowa Farm Bureau Federation. “That trickle-down is felt when supplies are tight and prices rise for several sectors of the farm economy, from processors to grain elevators to feed and ethanol plants. Those higher costs are shared down the chain.”

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Iowa farmers have been discussing the situation in a number of media outlets. Go to www.iowafarmbureau.com to see their interviews and perspectives.

Markets will be eyeing the next U.S. Department of Agriculture (USDA) crop production report released next Wednesday. But, even though the USDA confirmed that more acres are planted to corn and soybeans, prices for these crops are skyrocketing as hot, dry weather persists across much of the corn and soybean growing areas. In the past two weeks, conditions have deteriorated remarkably:

- Corn classified as “good to excellent” condition dropped from 67 percent to 62 percent in Iowa. Nationally, “good to excellent”-rated corn has fallen from 63 percent to 48 percent.
- “Good to excellent” soybeans in Iowa dropped from 63 percent to 59 percent. Nationally, soybeans in this category dipped from 56 percent to 45 percent.
- The amount of crop classified as “very poor to poor” for both corn and soybeans now stands at 22 percent.

Prices for crops have been on the climb and markets may swing next week. This sharp rally in corn and soybean prices is having some negative impacts on users of grains and oilseeds. Several ethanol plants have closed as processing margins have turned negative and some livestock feeders are beginning to liquidate breeding stock in response to sharply higher feed prices and mounting losses on feeding livestock.

These price swings and other ag-related risk management topics will be discussed at the Iowa Farm Bureau Economic Summit, to be held July 23-24 in Ames. U.S. Agriculture Secretary Tom Vilsack will provide the summit's keynote address on July 24. For more information and to register, visit www.iowafarmbureau.com.