

# Drought could send food prices to record levels

By Joshua Zumbrun and Mark Drajem, Bloomberg

Cloudless skies seldom look so ominous.

A worst-in-a-generation drought from Indiana to Arkansas to California is damaging crops and rural economies and threatening to drive food prices to record levels.

Agriculture, though a small part of the \$15.5 trillion U.S. economy, had been one of the most resilient industries in the past three years as the country struggled to recover from the recession.

“It might be a \$50 billion event for the economy as it blends into everything over the next four quarters,” said Michael Swanson, agricultural economist at Wells Fargo & Co., the largest commercial agriculture lender. “Instead of retreating from record highs, food prices will advance.”

The U.S. Department of Agriculture declared July 11 that more than 1,000 counties in 26 states are natural-disaster areas, the biggest such declaration ever.

The designation makes farmers and ranchers in affected counties – about a third of those in the entire country – eligible for low-interest loans to help manage the drought, wildfires or other disasters.

Corn rose Monday to the highest in 10 months while soybeans increased to the costliest since 2008.

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