

Corn Futures Enter Bull Market as U.S. Supply Seen Tightening
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By Jeff Wilson

March 31 (Bloomberg) -- Corn futures, off to the best start to a year since 2008, entered a bull market today as the U.S. government said supplies are tighter than expected. Soybeans rose to the highest in nine months.

Domestic inventories on March totaled 7.006 billion bushels, smaller than the 7.098 billion forecast by analysts surveyed by Bloomberg, the U.S. Department of Agriculture said today. Supplies may continue to shrink as growers are poised to sow the fewest acres in four years, the USDA said in a separate report.

Corn has jumped 19 percent this year, surprising banks including Goldman Sachs Group Inc. that were forecasting that prices would extend last year's 40 percent plunge, the biggest since at least 1960. Instead, futures climbed as U.S. export sales surged, while record cattle and hog futures boosted the outlook for demand in feed rations.

"The March 1 corn supply is a little tighter than people expected," Dale Durchholz, the senior market analyst for AgriVisor LLC in Bloomington, Illinois, said in a telephone interview. "The report was a surprise because it indicates that feed demand was better than expected."

Corn futures for May delivery climbed 2 percent to settle at \$5.02 a bushel at 1:15 p.m. on the Chicago Board of Trade. That leaves the grain 22 percent above a settlement low of \$4.12 on Jan. 9., meeting the common definition of a bull market.

Consumption from December through February was 3.45 billion bushels, up 31 percent from 2.63 billion a year earlier, the USDA said.

Ukraine Shipments

Escalating tension in Eastern Europe has threatened to disrupt grain supplies. Russia is set to be the fifth-largest wheat exporter this year, and Ukraine is poised to be the third- biggest corn shipper, according to the USDA. American corn sales booked for delivery before Sept. 1 are more than double the year-earlier pace, government data show.

Cattle and hog prices surged to records in Chicago this month. Today's report indicates feed and residual use rose 34 percent from a year earlier, as meat producers fed more grain to animals to add pounds and boost profits, Durchholz said.

The USDA has cut its outlook for domestic corn reserves before the 2014 harvest to 1.456 billion as of March 10. That compares with 1.887 billion bushels estimated in November.

Hedge funds switched to betting on higher corn prices in the week ended Feb. 11 and as of March 25 they were net-long 239,287 contracts, the most since December 2012.

Goldman View

U.S. corn and soybeans inventories will increase under “normal planting and growing weather conditions,” Goldman Sachs Group analyst Damien Courvalin said in a March 10 report.

World stockpiles of corn will jump 18 percent before this year’s Northern Hemisphere harvest to 158.5 million metric tons, the highest since 2001, the USDA said March 10.

U.S. soybean inventories on March 1 fell to 992.3 million bushels, the smallest for the date since 2004, the USDA said.

Analysts surveyed by Bloomberg News expected 987 million on average. Consumption during in the December-through-February period rose 20 percent.

“Corn and soybean inventories are coming down, and that’s why prices have been ratcheting higher this year,” Don Roose, the president of U.S. Commodities Inc. in West Des Moines, Iowa, said in a telephone interview. “There are no shockers in this report like we have seen in the past three years, and that may have been enough to bring in some buying.”

Soybean futures for May delivery rose 1.9 percent to \$14.64 a bushel in Chicago, after touching \$14.665, the highest since June 6.

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