

## Crop Prices Rally as Report Points to Easing of Glut

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U.S. crop prices surged Tuesday, extending an unexpected run in agricultural prices that has drawn in big investors like hedge funds.

The gains promise much needed relief for a farm economy battered by the slump in prices for major row crops over the past three years.

At the same time, they could mean higher prices for consumers going into the summer.

“This is fantastic news for the agricultural sector,” Terry Reilly, an analyst at brokerage Futures International LLC in Chicago, noting that some U.S. farmers who earlier this year were anticipating losses on their soybean crop may now make money instead. “Planting soybeans is profitable now,” he said.

The catalyst was a closely watched government report that said rising exports would eat into the glut in farm commodities by next year. The big surprise was a projection that U.S. soybean inventories would fall by a steep 24%.

Soybean futures rose so sharply on the Chicago Board of Trade that they hit the trading limit imposed by the exchange. They ended the day up 5.6% at \$10.84 a bushel, gains that left them up 25% so far this year.

Corn and wheat futures followed, even though the USDA forecast a further ballooning of supplies for those grains. In the case of corn, the supply forecast wasn't as big as traders had feared.

Hopes that farmers would spend more on seeds, fertilizer and machinery helped shares of tractor maker Deere & Co. rise 4% and Monsanto Co. gain 2.4%.

Money managers have poured into the sector this year, attracted by rising and often volatile prices that pushed up soybean trading volumes by 25% at the Chicago Board of Trade in April from a year earlier. The number of outstanding futures contracts rose almost a fifth.

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The Agriculture Department report offered the first official forecast for the new season's production and consumption around the world.

It said poor weather in South America would contribute to a surge in soybean exports from the U.S. as production in places like Argentina falls off.

"The demand that USDA set forward is incredible," said Mr. Reilly of the forecast for soybean exports.

The USDA expects U.S. soybean reserves to dwindle to 305 million bushels by August 2017 from an estimated 400 million a year earlier as exports pick up.

Even at their current level, however, soybean prices are about 40% lower than their peak in 2012, and the level of stocks still are comfortable.

Corn futures jumped even though the USDA forecast farmers would harvest a record 14.43 billion bushels this year. The agency's supply estimates, however, fell short of analysts' expectations. The USDA projected stockpiles will climb to 2.153 billion bushels by August 2017 from 1.803 billion a year earlier, the largest since the mid-1980s.

The USDA said global corn reserves at the end of the 2016-17 season would total 207 million tons, down from an estimated 207.9 million tons for the current season.

Corn futures rose 3.3% to \$3.81 a bushel.

Adverse weather has threatened Brazil's corn crop this season. The USDA on Tuesday reduced its estimate for Brazilian production to 81 million metric tons from 84 million because of dry weather.

Wheat prices rose despite the USDA's forecast that domestic and global supplies would balloon next season. Wheat futures rose 1% to \$4.61 1/4 a bushel.

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