

Corn Supply Squeeze Sends Prices Soaring, Risking Food Inflation 2021-01-13 17:52:52.437 GMT

By Kim Chipman and Michael Hirtzer

(Bloomberg) -- Corn futures rose to a seven-year high a day after the U.S. slashed its forecast for domestic stockpiles more than expected, adding steam to a rally fueled by Chinese demand for grain and soybeans.

The U.S. Department of Agriculture's cut in the corn-inventory forecast to a seven-year low means world supply is tighter than expected at a time when Chinese demand shows little sign of letting up and South American growers face drier-than-normal weather. Brazil's crop agency on Wednesday lowered its estimates for corn and soybean output. Global food prices have been rising and stronger grains means further inflation is likely.

"Corn markets should stay bid this winter," given Chinese demand and risks to Brazil's harvest, Citigroup said in a note.

USDA Report Shows Crops Bull Market Still On: WASDE

Takeaways

Corn futures for March delivery rose 1.6% to \$5.25 a bushel at 11:45 a.m. on the Chicago Board of Trade after reaching \$5.415, the highest for a most-active contract since June 2013. On Tuesday, the price jumped by the exchange limit of 25 cents, or 5.1%, following the USDA's World Agricultural Supply and Demand Estimates report.

Agricultural commodities jumped in the second half of 2020 as China, the world's biggest pork producer, boosts imports of grain and soybeans to feed huge numbers of hogs recovering faster than anticipated from a deadly virus.

* Soybean futures for March delivery fell 0.7% to \$14.08 a bushel after reaching \$14.365, the highest since June 2014.

* Wheat futures for March delivery dropped 0.6% to \$6.61 a bushel after reaching \$6.8075, the highest since May 2014.

The WASDE report on Tuesday spurred a flurry of trading in corn options.

"The market was long going into the number and yesterday's rally rewarded them," said Joe Davis, a director at brokerage Futures International. "Many of the now in-the-money calls have been sold this morning, pushing implied volatility lower today."

Argentina, the world's third-biggest corn exporter, backtracked on a decision to cap shipments and vowed instead to

monitor supplies to avoid tensions in the domestic market.

*T

=====
Drivers
=====

Russia May Hike Wheat Export Duty to 45 Euros/Ton in March
CROP TENDER: Agrocrop to Supply 50,000 Tons Wheat to Bangladesh
Brazil Soy Crop Seen Up 7.1% Y/y to 133.69M Tons: Conab
French Grain Stockpiles Seen Lowest in at Least 7 Years: AgriMer
EMEA WEATHER: Turkey Drought Worsens, Morocco Rain Improves
Palm Oil Extends Drop on Poor Demand and Malaysian Export Tax
U.S. Core Consumer-Price Gauge Cooled Slightly From Prior Month

*T

--With assistance from Megan Durisin and James Poole.

To contact the reporters on this story:

Kim Chipman in Chicago at kchipman@bloomberg.net;

Michael Hirtzer in Chicago at mhirtzer@bloomberg.net

To contact the editors responsible for this story:

David Marino at dmario4@bloomberg.net

Patrick McKiernan, Lydia Mulvany

To view this story in Bloomberg click here:

<https://blinks.bloomberg.com/news/stories/QMVO41DWRGG8>