

No Relief in Sight for World's Soy Supply Crunch, U.S. Says  
2021-05-12 17:16:27.318 GMT

By Michael Hirtzer, Kim Chipman and Bre Bradham (Bloomberg) -- The U.S. forecast bigger world production and a boost in inventories for key crops next season, but it won't be enough to ease the global supply crunch that's driven grain prices to eight-year highs.

Soybeans are trading at the highest since September 2012 after the U.S. projected domestic production of 4.405 billion bushels for the coming 2021-22 season in its monthly supply and demand report, which was lower than estimated and may not meet rising demand for food and fuel.

"Something has to give," Scott Irwin, a professor at the University of Illinois said by phone. "Either we have to find more planted acres, we have to get lucky with summer weather, or the price has to go high enough to ration usage lower than projected."

Crop markets have skyrocketed amid record Chinese demand and rising consumption as economies recover from the pandemic. More evidence of China's strong appetite for farm commodities emerged this week with further purchases of U.S. corn. Weather concerns persisting in major producers like Brazil also risk further straining global supplies.

The relentless rally across crop markets has stoked worries over rising food bills at a time when many consumers are still struggling from the fallout of the Covid-19 pandemic. The United Nation's monthly gauge of global food prices has climbed for 11 straight months.

There is a scenario in which the supply crunch could see some relief.

"If we don't see a major weather problem from September all the way through June of next year, then we should see maybe new crop prices remain below the average that we'll probably realize for the current marketing year," said Terry Reilly, senior commodities analyst at Futures International LLC in Chicago. Analysts surveyed by Bloomberg expected next year's corn and soy reserves to nudge higher, while holding well below recent peaks.

Soybean futures for July delivery in Chicago rose as much as 3.2% to \$16.675 a bushel, the highest since September 2012, after topping \$16 per bushel Tuesday. Corn and wheat dropped after the report.

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