Soybean Futures Cap Longest Rally in 14 Months on China Imports
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By Jeff Wilson

May 23 (Bloomberg) -- Soybean futures capped the longest rally since March 2012 on signs of rising demand from China, the world's largest buyer.

China bought 531,000 metric tons of U.S. soybeans in the week ended May 16 for delivery after Sept. 1, and an additional 115,000 tons of purchases overnight, government reports showed today. Sales last week for delivery before Sept. 1 rose nearly 12-fold to 183,480 tons, and inventories before this year's harvest will drop to the lowest in nine years, U.S. Department of Agriculture data show. Exports of soybean meal since Oct. 1 are up 33 percent from the same period a year earlier.

Prices have jumped 7.2 percent in May, heading for the biggest monthly rally since July, when the worst U.S. drought since the 1930s eroded production and sent soybeans to a record $17.89 a bushel in September. While the USDA forecasts this year's harvest will jump 12 percent to a record, farmers in the Midwest won't collect most of those crops until October.

"China is buying, and that has put a strong bid into the futures market," Jim Gerlach, the president of A/C Trading Co. in Fowler, Indiana, said in a telephone interview. "Meal exports are superb, and that's a problem with U.S. soybean supplies falling."

Soybean futures for July delivery gained 0.4 percent to close at $14.995 at 1:15 p.m. on the Chicago Board of Trade, after touching $15.4675, the highest since Nov. 2. Prices rose for a sixth straight session, the longest rally since March 2, 2012. Soybeans for delivery in November, after the harvest, climbed 0.3 percent to $12.43, after touching $12.4925, the highest since April 3.

China Imports

China's soybean imports will start surging from this month and jump 17 percent in the season beginning Aug. 1 to 68 million tons, Hamburg-based researcher Oil World said May 21. U.S. reserves on Aug. 31 will shrink to 125 million bushels, the lowest since 2004, the USDA predicted on May 10. As a percentage of consumption, inventories will be the smallest since at least 1961.

Prices also rose on speculation that new rules from China to control capital inflows may end commodity-financing deals, forcing the country's importers to buy futures to lock in purchases, Gerlach said. The National Business Daily reported yesterday some banks have stopped issuing letters of credit for copper importers after a government crackdown on hot-money flows.

"Talk that Chinese crushers are buying futures to lock in shipments because of the crackdown on financing is adding to the surge in prices today," Gerlach said. "The only way to ration supply is to make it uneconomical to use the commodity."

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