

Summary of July USDA report

The July WASDE report estimates global wheat supplies for 2011/12 0.9 million tonnes higher than June projections as larger opening stocks more than offset lower expected world production. At 189.97Mt (198.29Mt 2010/11) , beginning stocks were 2.85Mt up on June estimates, mainly due to larger carry-in in the United States and Russia which saw upward revisions by 1.41Mt and 0.8Mt respectively.

World wheat production for 2011/12 was projected down by 1.92Mt to 662.42Mt (648.24Mt 2010/11) as reductions in Canada, Ukraine and Mexico offset increases for the United States, Turkey and the EU-27. Production in Canada was 3.5Mt less as heavy rain and flooding throughout June impacted on spring wheat planting opportunities. Ukrainian production was 1.0Mt lower due to persistent spring dryness in north and central parts of the country, limiting growth and tillering. Official reports from Mexico put production at 0.4Mt lower. In contrast, Turkish production was 1.1Mt up on June estimates as spring moisture boosted yields across the country, while higher yield projections for Spain and Romania raised production estimates for the EU-27.

Global wheat consumption saw a 3.0Mt upward revision to 670.20Mt(656.57Mt 2010/11), reflecting higher wheat feeding in Europe, Russia and Turkey; higher food use in Egypt, Japan and Russia; and higher industrial use in Canada. Ending stocks were hence projected 2.1Mt lower at 182.19Mt with most of the decline expected in Russia, Canada and the US.

World maize supplies saw more significant upward revisions, up 9.65Mton June estimates. Opening stocks were raised 3.44Mt to 120.88Mt (143.63Mt 2010/11) reflecting changes to the 2010/11 usage projections, with the US accounting for most of the increase (3.81Mt).

World maize production, at 872.39Mt for 2011/12 (820.02Mt 2010/11), was 6.21Mt up on June estimates, based on planted and harvested area as reported in the USDA's Acreage report. Again, it was revisions in US projections (6.85Mt) that accounted for most of the increase.

Maize consumption was projected up by 5.87Mt to 877.61Mt (842.77Mt 2010/11), with feed demand raised 2.95Mt. Exports were raised 1.72Mt to 94.92Mt reflecting increased demand from China. Ending stocks for 2011/12, at 115.66Mt, were 3.77Mt up on June estimates.



Global soybean production was projected down 1.34Mt from last month to 261.45Mt (263.69Mt 2010/11), mostly due to lower production in the United States. Beginning stocks were however slightly higher, up 1.35Mt to 65.88Mt

UN: World cereal prices still steeply higher than last year

Cereal prices dropped slightly in the world markets in June, but were still 71 per cent higher than a year ago, with the fall attributable to improved weather conditions in Europe and the lifting of Russia's export ban, the United Nations Food and Agriculture Organization (FAO) reported today.

The FAO Cereal Price index averaged 259 points in June, down one per cent from May.

The maize market, however, remained tight because of low 2010 supplies and continued wet conditions in the United States. Prices of rice were mostly up in June, reflecting strong import demand and uncertainty over export prices in Thailand, the world's largest rice exporter.

Overall, the FAO Food Price Index rose one per cent to 234 points last month, 39 per cent higher than in June last year, but four per cent below its all-time high of 238 points in February this year. A strong rise in the price of sugar in the international markets drove up the index.

The FAO Sugar Price Index rose 14 per cent from May to June, reaching 359 points, 15 per cent below its January record. Production in Brazil, the world's biggest sugar producer, is forecast to fall below last year's level.

The agency's Dairy Price Index averaged 232 points in June, largely unchanged from 231 points in May, while the Meat Price Index averaged 180, marginally up from May with poultry meat rising three per cent and climbing to a new record, while pig meat prices declined.

After two consecutive revisions to the US crops and planting prospects for 2011, FAO's latest forecast for world cereal production for 2011-2012 stands at nearly 2,313 million tons, 3.3 per cent higher than last year and 11 million tons above FAO's last forecast on 22 June.

World cereal use for 2011-2012 is forecast to grow by 1.4 per cent from 2010-2011, reaching 2,307 million tons, just five million tons under forecast production.



World cereal stocks at the close of the crop season in 2012 are now expected to stand six million tons above their opening levels. While wheat and rice inventories are expected to become more comfortable, coarse grains stocks, especially maize, would remain tight, according to FAO.

Wheat Drops for a Second Day as ‘Risk-off Mood’ Engulfs Financial Markets

Wheat and corn declined for a second day, as investor demand for commodities waned after U.S. lawmakers failed to agree on cutting the deficit and concerns increased that [Europe](#)’s sovereign debt crisis may spread.

September-delivery wheat lost as much as 3 percent to \$6.2025 a bushel on the [Chicago](#) Board of Trade, before trading at \$6.2675 at 11:04 a.m. Singapore time. December-delivery corn slipped 1.5 percent to \$6.235 a bushel.

“The price action that we’re seeing in the grains market is likely the result of the continuing risk-off mood that is engulfing the wider financial market,” [Luke Mathews](#), a commodity strategist at Commonwealth Bank of [Australia](#), said by phone from Sydney today.

Italian bonds sank and the country’s stocks fell to the lowest in two years yesterday. Warnings by Moody’s Investors Service and Standard & Poor’s over Italy’s ability to finance its debt, coupled with infighting in Silvio Berlusconi’s government over proposed budget cuts, fueled the Italian sell-off.

In the U.S., President [Barack Obama](#) urged Republican leaders to compromise on their opposition to tax increases and achieve “the largest possible deal” to cut the federal [budget deficit](#). Obama is pressing lawmakers to reach an agreement to raise the \$14.3 trillion U.S. debt-ceiling before the government exhausts its borrowing authority on Aug. 2.

All these “have certainly resulted in just about all risk assets selling off over the past 24 hours,” Mathews said. “It looks like that theme has continued today.”

The U.S. Department of Agriculture may also raise today its estimates on the nation’s corn and wheat stockpiles, helping push global supplies higher, Mathews said. That will add to the bearish sentiment on the grain market, he said.

The agency is scheduled to release its estimates on agricultural supply and demand, including corn, wheat and soybeans at 8:30 a.m. in [Washington](#) today.



November delivery soybeans fell for the first time in seven sessions, losing 0.5 percent to \$13.40 a bushel in Chicago.

US wheat slips on harvest pressure, corn down

Chicago corn and wheat futures slid on Monday as weak economic data from China and the United States weighed, following last week's gains that were led by strong physical demand.

Asian stocks were on the backfoot as the weak economic data renewed concerns about the health of the global economy while the euro looked vulnerable before an emergency meeting to stem a spreading debt crisis.

"In terms what we are seeing in wider markets, we have crude oil trading touch lower and US dollar higher, which is continuation of risk aversion that swept through global markets on Friday," said Luke Mathews, commodity strategist at Commonwealth Bank of Australia.

"It is bearish outside influences and possibly some profit-taking after last week's rally."

The wheat market came under added pressure from harvest continuing at a rapid pace in the United States and disappointing exports last week.

Chicago Board of Trade new-crop December corn fell 0.6 percent to \$6.33 a bushel by 0334 GMT, while actively-traded September wheat lost 0.4 percent to \$6.49 a bushel. November soy contract rose 0.2 percent to \$13.48-3/4 a bushel.

Last week, wheat gained 11 percent, snapping a five-week losing streak, and corn saw its best weekly performance in seven weeks, but trading volumes were lower as investors remained uncertain about the size of crops and fretted over the state of the US economy.

The financial markets came under pressure after US data showed the economy created only 18,000 jobs in June, well short of an expected 90,000, dashing optimism that the economy was emerging from a soft patch.

Data showing annual inflation in China accelerated to a three-year high in June also weighed on sentiment as it increased the chances that the central bank would keep raising interest rates to tame price pressures.



Speculators, including hedge funds, are exiting grain markets in droves as a year-long rally falters, slashing their bullish bets to the lowest in nearly a year, US government data showed on Friday.

The speculators cut their net long positions in Chicago Board of Trade corn futures and options by 20 percent in the week ended July 5 to the smallest since July 2010, data from the CFTC's Commitment of Traders showed.

US wheat exports were 424,150 tonnes, lowest in a month and below trader estimates, US Agriculture Department data showed on Friday.

But US corn export sales surged to a three-month high last week, topping the high end of analyst estimates, as a record drop in corn futures spurred demand.

Investors in the agricultural markets are waiting to see results from the USDA's supply and demand report on Tuesday before placing their bets.

WEATHER WATCH

The market is also keeping a close eye on the US weather as corn enters its key pollination stage with some forecasts calling for potentially crop-damaging hot-dry weather.

"There is concern that unfavourable weather may start gripping some of the US Midwest corn and soybean crops, particularly the corn crop, which starts entering that pollination stage," said Mathews.

"A little bit too early to read into those stories but certainly something that must be monitored closely."

Chinese buying has helped corn recover ground after a sell-off triggered by a bigger-than-expected planted area and stocks estimates from the US government on June 30.

Russia wins second keynote wheat order in two days

Russia highlighted its return as a fierce competitor in grain exports by gaining its second victory in two days in keynote wheat tenders – less than a week after returning to shipments.

Egypt's state grain buyer, the General Authority for Supply Commodities (Gasc), said it had awarded all 180,000 tonnes of its latest wheat order to Russia – the first purchases



from the Black Sea powerhouse since, amid its worst drought on record, Moscow banned grain exports last August.

The three shipments of 60,000 tonnes each, a panamax load, were priced at between \$243.50 and \$244.50 a tonne, excluding freight.

The purchase by Egypt, the world's top grain buyer, comes the day after Jordan bought 150,000 tonnes of wheat at prices reported at between \$289.90 and \$290.90 a tonne, excluding freight.

Fears overcome?

Indeed, with Russia claiming exports of 1.1m tonnes of wheat on Friday alone, the day after its curbs on shipments lapsed, the orders appear to indicate that low prices are persuading buyers to overcome caution at buying from a country which left them in the lurch with last year's ban.

Analysts at APK-Inform on Thursday estimated Russia's 2011-12 wheat exports at 15m tonnes, above the US Department of Agriculture estimate of 10.0m tonnes and up from 3.4m tonnes last season.

Gasc officials, in two tenders last month, disqualified Russian wheat over fears for the security of supply, even though shipment dates fell beyond the end of the export ban.

And, Arkady Zlochevsky, the president of the Russian Grain Union industry group, warned that "there is practically no demand for Russian grain".

A Gasc delegation is due to visit Moscow later this month for talks on grain purchases from Russia, which until last August had a stranglehold on trade with Egypt, thanks to competitive prices.

Rival bids

The cheapest French wheat was offered by Viterra, the Canadian merchant, at \$275 a tonne, but from two ports, a split which adds about \$2 a tonne in extra shipping charges compared with loading at one location.

Charges from shipping from France are, anyway, more expensive than from Black Sea ports, by at least \$1 a tonne.



US soft red winter wheat was more competitive with Russian grain, offered by Venus at \$252.73 a tonne, but faces shipping costs of more than \$35 a tonne, roughly twice those from Russia.

The award helped keep a lid on European wheat prices, which closed down 2.1% at E190.50 a tonne in Paris, for November delivery, and down 1.1% at £161.65 a tonne in London, on a day when Chicago contracts - the global bellwether - showed gains.

Late rains lift hopes for Russia's grains harvest

Late rains have improved the prospects for Russia's grain harvest such that it may recover nearly fully to 2009 levels, although potentially presenting some a setback to quality.

SovEcon, the influential analysis group, raised to 87m-92m tonnes, from 82-86m tonnes, its forecast for Russia's grain production this year, citing the "favourable conditions to... crop formation" presented by rain in the second half of last month and continuing in July.

Hopes have been further boosted by early results from Krasnodar, in southern Russia, where the country's first harvesting takes place, showing yields at 5.5 tonnes per hectare.

That is better than last year's 5.0 tonnes per hectare. And much of Russia is expected to see a far bigger increase on last year, when the country suffered its worst drought on record, which depressed grains production to 61m tonnes.

'Rain washes out the gluten'

"We have a good starting yield in the south of Russia," Andrey Sizov, the SovEcon managing director, told Agrimoney.com.

At 92m tonnes, the crop would only be 5m tonnes from recovering fully to 2009 levels, despite last year's drought presenting a lingering hangover in hampering autumn sowings last year.

However, the rains, if they continue, still offer some threat to the quality of the crop, in potentially lowering protein and gluten levels.

"As farmers say, rain washes out the gluten," Mr Sizov said.



US estimates

The harvest hopes represent the latest fillip to Russia's agricultural industry, after the resumption on July 1 of grain shipments, ending an 11-month ban imposed amid the drought, and two high-profile victories last week in wheat tenders.

Indeed, US Department of Agriculture attaches, in a report published late on Friday, estimated Russia's wheat exports in 2011-12 at 10.5m tonnes, 500,000 tonnes higher than the official US estimate and more than twice that last season.

Even so, the attaches estimates are less generous than those of many other analysts. APK- Inform last week pegged Russia's wheat exports this season at 15m tonnes.

The USDA attaches estimated Russia's overall grains harvest at 85.5m tonnes.

Rain in Ukraine damages almost 8% of grain crops, says agriculture ministry

The prolonged rainy spell late in June and early in July damaged almost 8% of Ukraine's grain crops, according to Oleksandr Demidov, the director of the crop markets department at Ukraine's Agrarian Policy and Food Ministry.

Grain sprouted on 1.5% of the areas under crops, 5.2% of the crop fell over and 1% died, he said at a press conference in Kyiv on Monday.

He said certified warehouses have already received 650,000 tonnes of newly harvested grain, including 11% of second-grade wheat, 34% third-grade wheat, and 10% fourth-grade wheat. He said that the ratio of food and coarse grain is about 50 to 50.

The quality of the new crop could be realistically judged when Ukraine's central regions actively launch the harvesting campaign, he added.

As reported, it rained heavily in Ukraine, sometimes with thunderstorms and strong gusts of wind, late in June and early in July. The ministry previously reported that the rain worsened the quality of the grain in the country.

According to the ministry, Ukraine threshed 3.8 million tonnes of early grain and leguminous crops from 1.3 million hectares as of July 8, 2011.

The ministry still forecasts that Ukraine will harvest 45 million tonnes of grain, against 39.3 million tonnes harvested in 2010.



Jordan to Buy 100,000 Tons of Wheat, 100,000 Tons of Barley

Jordan invited offers to buy 100,000 metric tons of wheat and reissued a tender for 100,000 tons of barley, the Ministry of Industry and Trade said.

The ministry will accept bids for wheat until July 20, Mohamad Malahmeh, head of the Ministry's tenders department, said by telephone today. Receiving bids from suppliers of barley will close July 27.

"We are reissuing the tender for the 100,000 tons of barley because the prices offered were too high," he said. The original tenders were issued June 20 and closed July 7.

Jordan bought 150,000 metric tons of wheat, including 50,000 tons from Russia at \$289.90 a ton, Malahmeh said July 7. The remaining quantity was bought at between \$289.90 a ton and \$290.90 a ton from origins including the U.S., the European Union, Canada, Ukraine and Argentina he said.

Rice

Rice Exports From Vietnam Reach 4 Million Tons, Group Says

Vietnam, the world's second-largest rice exporter, shipped 4 million metric tons of grain from the start of the year to July 7, the Vietnam Food Association said.

Shipments were 105,837 tons between July 1 and July 7, the association said in a statement on its website.

Vietnam may ship as much as 7.4 million tons in 2011, Vietnam's agricultural ministry said on April 8. The nation exported 6.75 million tons of rice last year, according to the association.

Vietnam's rice shipments on the rise this year

Vietnam's rice exports this year are expected to top 7 million tonnes with figures for third and fourth quarter rice exports exceeding 3 million tonnes, according to the Vietnam Food Association.

Speaking at a recent meeting held in Ho Chi Minh City to review rice exports in the first half and draw up plans for the second, Huynh Minh Hue, VFA general secretary, said businesses had exported 3.91 million tonnes of rice for a free-on-board (FOB) value of US\$1.84 billion.



This represented an increase of 17.57 per cent in volume and 24.71 per cent in value over the same period last year.

The average FOB export price in the first half was \$472 a tonne, a year-on-year increase of \$27 per tonne, Hue said.

Countries in Asia and Africa were the main buyers of Vietnamese rice, accounting for 88 per cent of the total export volume.

As of June 30, VFA members had signed contracts to export nearly 5.3 million tonnes of rice, meaning that more than 1.34 million tonnes must be delivered from July, Hue said.

Currently, about 1.36 million tonnes of rice remain in stock with enterprises, and if an estimated 3.86 million tonnes from the summer-autumn and autumn-winter crops is added, the country can export that latter quantity in the next half, according to VFA chairman Truong Thanh Phong.

However, actual exports in the next six months would be about 3.1 million tonnes with the remaining of 0.76 million tonnes of rice transferred to 2012 reserves, he said.

Phong said first half exports developed in a "complicated" way with the Philippines, a major buyer of Vietnamese rice, reducing imports from Vietnam.

However, the return of Indonesia as a buyer after a two-year suspension made up for this, he added.

In addition, imports by Bangladesh, China and Africa surged strongly during the period. Exports to Africa increased by 55.88 per cent over the same period last year.

Regarding the plan to purchase 1 million tonnes of rice for reserves, Phong said VFA had already allocated purchase quotas for its 80 member companies. However, they would only start to buy the rice for reserves when there is a slowdown in rice exports or rice prices in the domestic market fall below VND5,000 per kilo.

The domestic rice industry is due for a shake up this year with enterprises needing to obtain eligibility certificates for rice trading from the Ministry of Industry and Trade (MoIT) in order to export the grain from October 1 this year, when Decree 109 takes effect.

Under Decree 109, rice traders must have at least one warehouse with a minimum storage



capacity of 5,000 tonnes of rice, a rice mill that can process at least 10 tonnes of rice per hour and meet additional standards mandated by the Ministry of Agriculture and Rural Development.

So far, only seven companies had obtained such certificates, Hue said, adding that many companies had either not registered to get the certificates or failed to satisfy requirements set by the decree.

The VFA members at the meeting suggested that the agriculture ministry adjust technical requirements stipulated in the decree so that enterprises have time to satisfy these requirements. Otherwise, the country's rice export would be affected, they said.

Phong said a maximum of 80 out of 211 existing rice exporters could meet the decree's stipulations at present.

Rice May Extend Gains as Supplies Tighten on Thailand Traders' Hoarding

Rice prices in Thailand, the world's biggest exporter, may extend gains as supplies tighten at the end of the harvest season and millers hoard the grain on expectations of an increase in government's purchase price.

Export prices of rice may climb 49 percent to \$800 per metric ton in the fourth quarter as the newly elected government led by Pheu Thai Party implements a pledge to buy the grain from farmers above market rates, according to a survey of four exporters, millers and traders.

Rising prices in Thailand may support a 60 percent jump in rice futures in Chicago and increase global food costs tracked by the United Nations that advanced in June for the 10th time in the past 12 months. Rice rose globally in June, "reflecting strong import demand and uncertainty over export prices in Thailand," the Food and Agriculture

Organization said last week.

"Costlier rice from Thailand, which accounts for about 30 percent of worldwide shipments, will drive prices higher around the globe," said Sumeth Laomoraphorn, chief executive officer of C.P. Trading Co., Thailand's fourth-largest exporter.



Shipments surged 58 percent from the beginning of the year to July 4 to 6.44 million tons, according to the Thai Rice Exporters Association. The country may ship more than 10 million tons this year, Commerce Minister Porntiva Nakasai said June 20.

“With higher prices, importers will search elsewhere for more competitive supplies or opt for alternative food types,” Bernard Fig, Cape Town-based trader at Rice-Tic (South Africa) Ltd., who has been trading rice for 40 years, said in an e-mail.

Rice for September delivery advanced 0.4 percent to \$15.705 per 100 pounds by 1:22 p.m. Singapore time on the Chicago Board of Trade. Futures climbed to \$16.265 on July 8, the highest level since Feb. 9.

Asia’s Benchmark

Thai export prices are a benchmark for the industry. The price of the 100 percent grade-B variety, which is set weekly, advanced 3.5 percent to \$537 a ton after Pheu Thai Party won a majority vote in the national election on July 3. Incoming Thai leader Yingluck Shinawatra won the election on pledges to raise the minimum wage and guaranteed rice prices for farmers.

Pheu Thai is a successor to parties loyal to ex-premier Thaksin Shinawatra. Yingluck, Thaksin’s sister, plans to buy unmilled rice from farmers for a guaranteed price of 15,000 baht (\$493) per ton, 50 percent higher than the current level.

Unmilled rice in Thailand has advanced almost 10 percent to 10,000 baht a ton on July 11, compared with 9,100 baht on July 1, according to Thai Rice Mills Association.

Millers are holding back supplies as they expect the new government to implement the campaign pledge, Chanchai Rakthananon, president of Thai Rice Mills Association, said by phone from Bangkok.

‘Snap Up Supplies

“Millers snapped up limited supplies, offering above market prices, and slowed rice selling on optimism the prices will increase further when the government implements rice buying scheme,” he said. “Supplies have decreased as it is the end of the harvest of minor crop and overseas demand remains strong.”

Minor crop in Thailand accounts for about 28 percent of the nation’s total production of about 33 million tons. It’s harvested from March to May and from August to September.



Overseas demand of around one million tons each a month has also reduced supplies, driving prices higher, Sumeth of C.P. Trading said by phone from Bangkok. Higher prices will eventually reduce Thai shipments, he added.

“It is indeed a bit more difficult to buy rice from Thailand as millers are not willing to sell,” Jac Luyendijk, chief executive officer of Swiss Agri Trading SA, which trades about \$300 million tons a year with Thailand and Vietnam. “At the same time it is very difficult to sell rice to West Africa at today’s prices because it becomes too expensive.”

African countries account for about half of Thailand’s exports, while the remainder is shipped to Asia, Middle East, Europe and the U.S.

“An era of cheap rice has come to an end,” Chanchai of Thai mills association said.

India. Govt allows exports of non-basmati rice

The government today allowed exports of one million tonnes of non-basmati rice, lifting an over three-year old ban, in the wake of overflowing godowns.

The decision to this effect was taken by an Empowered Group of Ministers (EGoM) headed by Finance Minister Pranab Mukherjee here.

"The EGoM has decided to allow exports of one million tonnes of non-basmati rice but a decision on allowing wheat exports has been deferred," a source said after the meeting.

The ban on non-basmati rice was imposed in April 2008 because of high food inflation. Wheat exports have been prohibited since 2007.

Sources said the exports of the staple rice has been allowed as the country's godowns are overflowing with the bumper crop. There is also an acute shortage of storage facilities.

While food inflation still remains high at 7.61 per cent, the prices of wheat and rice have remained stable.

Currently, the government godowns are overflowing with over 65 million tonnes of foodgrains, while the storage capacity is only 62.23 million tonnes.

The Agriculture Ministry has pegged total foodgrains output at 245 million tonnes for the 2011-12 crop year, as against 235.88 million tonnes last year.



Rice Jumps to Highest Since 2008 as Thailand Helps Farmers, Supply Drops

Rice climbed to the costliest since 2008 on concern higher guaranteed prices for farmers in Thailand, the top shipper, will boost export costs as import demand grows.

September-delivery rough rice increased as much as 2.3 percent to \$17.07 per 100 pounds, the highest price for the most-active contract since October 2008, the year of the global food crisis. The price was at \$16.93 at 3:08 p.m. in Singapore.

Indonesia, the third-largest rice consumer, plans to import for a second year to boost stockpiles to 2 million tons from 1.5 million tons, Trade Minister Mari Pangestu said yesterday. Incoming Thai leader Yingluck Shinawatra, sister of former premier Thaksin Shinawatra, won the July 3 poll on pledges to raise the guaranteed price for farmers and lift the minimum wage.

The “promise to buy rice at a higher price will likely drive prices higher,” Nirgunan Tiruchelvam, an analyst at Standard Chartered Bank in Singapore, said in a phone interview today. Import demand from Indonesia and threats to production in the U.S. “also add pressure to prices,” he said.

The Thai government plans to buy rough rice from farmers at a guaranteed price of 15,000 baht (\$498) a ton, 50 percent above the current level. Purchases from farmers will begin in November to coincide with the main harvest, Yingluck said July 12.

“A similar move by the previous Thaksin-allied government in 2008 saw export prices reach an all-time high \$1,038 a ton,” Tiruchelvam said.

Futures Climb

Production in the U.S., the third - biggest shipper, may slump to 6 million tons from 7.55 million tons a year ago, the Department of Agriculture said. The USDA cut its estimate for the 2011-2012 harvest from 6.4 million tons a month earlier.

Futures may advance to as high as \$22 per 100 pounds this year as dry weather in Texas and floods in Arkansas threaten to cut U.S. production, Jack Scoville, a vice president for Price Futures Group Inc. in Chicago said yesterday.

Wheat for September delivery was little changed at \$7.155 a bushel, while corn for December delivery added 0.2 percent to \$6.8125 a bushel. Soybeans for November delivery gained 0.2 percent to \$13.83 a bushel.



Almost a third of Midwest corn and soybean crops may be hurt by unusually hot, dry weather over the next 15 days after high winds flattened some fields from Iowa to Ohio this week, Commodity Weather Group LLC predicted yesterday. The Midwest is the largest growing region.

“People are worried about that,” Kelly Wiesbrock, managing director at Harvest Capital Strategies LLC, said by phone from San Francisco today. “There are a lot of people sitting on the edge,” concerned about U.S. yields as global stockpiles of corn and soybeans decline, he said.

Sugar

Sugar prices leap as hopes for Brazil output wane

Sugar prices exploded, hitting a five-month high in London, amid growing fears for Brazilian sugar output, which is expected to fall for the first time in more than a decade, with rising oil prices seen adding a further kicker.

White sugar for August touched \$821.30 a tonne in London at one point, a contract high and the best for a near-term lot since February, before losing some ground to finish at \$814.80 a tonne, up 6.1%.

New York raw sugar for October closed 6.7% higher at 29.52 cents a pound.

The rises followed rumours that Unica, the Brazilian cane industry group, will unveil a bigger-than-expected drop in estimate for the crop in the key Centre South region when it unveils fresh forecasts next week. Czarnikow, the sugar merchant, and consultancy Datagro have already cut their estimates.

Unica's current forecast is for Centre South sugar output of 34.6m tonnes.

"The prominent stories on the newswires favour the bulls at the moment as analysts are all revising down the potential output from Brazil," Thomas Kujawa at Sucden Financial said in a note.

"We seem to be in a strong uptrend. Perhaps - I thought I'd never be writing this so early into the Brazil harvest, but - it's safer to buy on a dip."



'Better informed'

The rally was given further momentum by speculation of leaks in the market, after a strong rally in sugar prices last week ahead of Unica data which revealed a surprising fall in Brazilian sugar production at the end of last month.

"It is all the more difficult to go against the tide when you feel it might be being driven by people who are better informed than you," a London trader told Agrimoney.com.

Oil prices, a key influence on a crop tied to ethanol production, added further support by rising 4%, for Brent crude, which soared back above \$118 a barrel, helped by retail sales and jobs data indicating that the US economy was in better shape than had been thought.

Tumble ahead?

The jump in prices defied widespread expectations that a significant drop in Brazilian sugar output had already been factored into prices, which were poised for a fall as the impact of an expected production surplus of perhaps 10m tonnes kicks in later in the year.

Rabobank analysts said in a note on Wednesday "in our view, much of the production shortfall has already been priced into the market. Prices should be poised for a correction lower."

And London-based Marex said that while most estimates of Centre South production were now at 32.5m tonnes - down 2m tonnes from previous forecasts, and a fall of 1m tonnes year on year – this was not enough to cause another season of deficit.

"So the main thrust of the bearish argument, that we are entering a period of large surplus, seems to remain intact," the broker said

Sugar boss warns of boards heading offshore

OVERSEAS buyers may boost investment in Australian agricultural assets as they seek to secure supply to meet surging food demand, according to Queensland Sugar chairman Alan Winney.

"We now face a realistic prospect that Australian agribusiness may in the near future be run from boardrooms in Singapore, New York and Shanghai," Winney wrote in a report for the Australian Farm Institute.



China's Cofco last week announced it had won control of Tully Sugar, adding to the company's supply of the sweetener from Australia.

Rising incomes and economic growth in emerging markets, including China and India, are fuelling demand.

Companies may also look to acquire Australian grain assets to ensure supply, according to the report.

"They can throw a lot of capital at these businesses," said Belinda Moore, a Brisbane-based analyst with Royal Bank of Scotland.

Twelve of 23 licensed wheat exporters are Australian-owned, while 60 per cent of the grain storage companies are foreign-owned, according to the report.

Mr Winney said Australia's biggest wheat exporter was Minneapolis-based Cargill, which operated as Cargill and AWB.

"In two years it is likely that the majority of Australian wheat will be exported by international companies," Mr Winney said.

"It is debatable if there will be a surviving Australian-owned storage business."

Assistant Treasurer Bill Shorten said the Australian Bureau of Statistics would this year survey 171,000 agricultural businesses to study the level of overseas investment in farms.

Tony Abbott said last month he would establish a working group to investigate tightening regulations.