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Grain, Soybeans Surge on Adverse Weather From U.S. to Europe

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By Whitney McFerron

May 18 (Bloomberg) -- Corn futures rose the most in six weeks, wheat had the biggest gain in two months, and soybean and rice prices surged as adverse weather from North Dakota to Louisiana to Europe threatened to erode crop production.

In the U.S., corn planting was 63 percent complete as of May 15, down from the 75 percent average in the past five years, as soggy fields hindered fieldwork, mostly east of the Mississippi River and in northern states, government data show. Spring-wheat, soybean and rice sowing also were behind the pace of recent years. The Ohio Valley and North Dakota will see more rain this week, AccuWeather Inc. said.

"The weather looks to be a little more threatening on planting progress," said Mark Schultz, the chief analyst at Northstar Commodity Investment Co. in Minneapolis. "Western Minnesota, South Dakota and North Dakota could start seeing clouding conditions today, and rain starting as early as tonight and into tomorrow."

Corn futures for July delivery climbed 29.5 cents, or 4.1 percent, to settle at \$7.4975 a bushel at 1:15 p.m. on the Chicago Board of Trade. Earlier, the price rose by the exchange limit of 30 cents. The grain has more than doubled in the past year on tightening global supplies and increasing demand from ethanol producers and livestock farmers.

The U.S. is the world's leading exporter of corn, soybeans and wheat and the third-largest rice shipper.

Adverse Weather

Wheat futures for July delivery surged 53 cents, or 6.9 percent, to \$8.17 a bushel in Chicago, the biggest jump since March 17. The price has climbed 75 percent in the past year as drought slashed crops in Russia and threatened production in the U.S. Great Plains.

Wheat futures in Minneapolis rose 6.4 percent, and prices in Paris gained 4.6 percent.

Europe's crop, making up a fifth of global output, is under threat in the U.K., France and Germany from the driest growing conditions in at least 36 years. France, the world's second-largest exporter, may produce 12 percent less this year than a year earlier, Agritel, a Paris-based farm adviser, said.

"There's fear of what the actual world situation of wheat is going to be, and what the actual supply is," said Dennis Delaughter, the owner of Progressive Farm Marketing Inc. in Edna, Texas. "Everyone has been talking about the dry situation on the EU side."

In the U.S., 36 percent of spring-wheat crops had been planted as of May 15, compared with the average of 76 percent for the previous five years, according to the Department of Agriculture. Wet weather is delaying fieldwork in Manitoba and Saskatchewan, the Canadian Wheat Board said today.

Soybean futures for July delivery rose 38.5 cents, or 2.9 percent, to \$13.795 a bushel on the CBOT, the biggest gain this month. The oilseed has climbed 47 percent in the past 12 months.

Mississippi Floods

Rice futures for July delivery jumped by the exchange limit of 50 cents, or 3.5 percent, to \$14.89 per 100 pounds, the largest increase since April 25. The price has gained 6.7 percent in the past week.

Flooding along the Mississippi River may cut planting in Mississippi and Arkansas, the biggest U.S. grower, by 100,000 to 300,000 acres, Delaughter said. The USDA already has forecast that the nation's output will decline 10 percent this year to 6.77 million metric tons from a year earlier.

"No doubt we'll see a lower supply than what the USDA had on its last supply-and-demand report," Delaughter said. "We obviously have a serious problem."

Corn is the biggest U.S. crop, valued at \$66.7 billion in 2010, followed by soybeans at \$38.9 billion, government figures show. Wheat was fourth at \$13 billion, behind hay.

--With assistance from Rudy Ruitenberg in Paris and Brian K. Sullivan in Baton Rouge, Louisiana. Editors: Patrick McKiernan, Steve Stroth

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