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Wheat Surges on Speculation Drought-Hit Russia May Curb Exports
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By Luzi Ann Javier

Aug. 2 (Bloomberg) -- Wheat futures surged to the highest price since 2008 on speculation that a drought in Russia may force the country to curb exports, squeezing global supplies and boosting demand for U.S. shipments.

The September-delivery contract jumped as much as 2.7 percent to \$6.795 a bushel on the Chicago Board of Trade, the highest level since Oct. 1 that year. Today's rally extends the commodity's 38 percent jump in July, making it the best performer over the past month on the UBS Bloomberg CMCI Index.

Authorities in Russia, the third-largest wheat shipper in 2009-2010, have been battling a heat wave that has scorched farmland and ignited wildfires. Although there's no official statement about export restrictions, the market doesn't rule out such a scenario, Phillip Futures Pte. said in note today.

"It's very, very bullish and there's no sign of it really stopping," Peter McGuire, managing director at CWA Global Markets Pty., said by phone from Sydney. "I wouldn't be surprised if it reaches \$7 within the next two trading sessions," said McGuire.

Wheat futures traded at \$6.7925 a bushel at 1:58 p.m. in Singapore, while soybeans, rice and corn also climbed. Russia shipped 17.5 million metric tons of wheat in the 2009-2010 season, accounting for about 14 percent of global trade, according to the U.S. Department of Agriculture.

The wheat market had "exploded on fears about tightening global supplies," the report from Singapore-based Phillip Futures said. Some investors were buying on "worries that Russia, a major force on the world wheat market, would ban exports," the report said.

Supply Squeeze

Wheat futures have surged from this year's low of \$4.255 a bushel on June 9 on concern that the drought in Russia and other parts of Europe, including France, combined with excessive rains in Canada, will curb global supply.

World wheat stockpiles may decline 2.5 percent to 192 million tons by June 2011 as the "prolonged dry weather" hurts the outlook for crops in Russia, Kazakhstan, Ukraine and the European Union, the International Grains Council said on July 29, reversing a June forecast for higher inventories.

Russia's wheat harvest may amount to 45 million tons, Anton Shaparin, a spokesman for the Moscow-based Russian Grain Union, said on July 27. That compares with a harvest of about 62 million tons last year.

Moscow has broken several heat records this season, while the drought has scorched more than 10 million hectares (24.71 million acres) of cropland. Temperatures of at least 36 degrees Celsius (96.8 degrees Fahrenheit) are forecast for the capital in the coming week,

according to Gidromettsentr, the state weather service. Prime Minister Vladimir Putin is due to meet regional leaders in Moscow today to discuss the wild fires.

'All Our Strength'

"We're fighting the fires with all our strength," Emergency Situations Ministry spokeswoman Irina Andrianova told state-run broadcaster Rossiya-24 yesterday.

The wheat harvest in Canada, the world's second-largest exporter, may drop 17 percent to 15.6 million tons this year from a year earlier, after unusually wet weather prevented seeding in some areas, the Canadian Wheat Board said July 30.

Net-long positions in wheat futures, or the difference between bets on price gains and price declines, more than tripled to 7,212 contracts in the week to July 27, according to U.S. Commodity Futures Trading Commission data.

Corn for December rose as much as 1.3 percent to \$4.12 a bushel, the highest price for the most-active contract since Jan. 12. November-delivery soybeans rallied as much as 1.4 percent to \$10.19 a bushel, the highest price since April 26. Chicago rice futures surged as much as 3.3 percent to \$10.90 per 100 pounds.

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