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Wheat Rises Amid Concern China Imports May Increase on Drought
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By Supunnabul Suwannakij and Tony C. Dreibus

Feb. 17 (Bloomberg) -- Wheat rose for the first day in three in Chicago amid renewed concern that China, the largest producer, may increase imports because of a drought.

Wheat crops in a drought-hit area in China are likely to decline without adequate rain, according to a Bloomberg News survey of five farmers in the southern Jining region of Shandong province, the country's second-largest grower.

"China may have to import more as drought lowers production," Gu Jiong, an analyst at commodity broker Yutaka Shoji Co., said by phone from Tokyo today. "Demand remains strong," he said.

Wheat for May delivery climbed 8.75 cents, or 1 percent, to \$8.7825 a bushel at 11:02 a.m. London time on the Chicago Board of Trade. The grain reached \$9.1675, the highest price since August 2008, on Feb. 14. Milling wheat for May delivery traded on NYSE Liffe in Paris added 1.1 percent to 261.50 euros (\$354.91) a metric ton.

In Shandong, about 34 million mu (5.6 million acres) of wheat out of 53 million was affected by "largely light drought," Yin Changwen, director of Shandong's drought-relief office, said in an interview on Feb. 14. "If the plants get watered after awaking from hibernation and start greening, production won't face any problems," Yin said.

The drought in China may persist for a further month and rain may come "too late" to avert crop damage, according to a forecast on Feb. 15 from Jim Dale, senior risk meteorologist at British Weather Services.

Corn for May delivery gained 7 cents, or 1 percent, to \$7.08 a bushel in Chicago. Soybeans for the same month rose 10 cents, or 0.7 percent, to \$13.885 a bushel.

Agricultural commodities will post "significant gains" this year and soybeans may outperform, according to Standard Chartered Plc analyst Abah Ofon, who said elevated prices may last longer than in 2007-08.

"We see significant gains across the agricultural complex this year, particularly in soybeans," Ofon said in an e-mailed interview published today.

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