

## Soaring prices threaten new food crisis

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Fears of a **global food crisis** swept the world's commodity markets as prices for staples such as corn, rice and wheat spiralled after the US government warned of "dramatically" lower supplies.

An especially hot summer in the US, droughts in countries including Russia and Brazil and heavy rain in Canada and Europe have hit many grain and oilseed crops this year. This has raising concern of a **severe squeeze in food supplies** and a repeat of the 2007-08 food crisis.

The US Department of Agriculture, in a closely watched report, predicted that the country's stocks of corn would halve to their lowest levels in 14 years.

It warned of a "much tighter supply picture" for corn and barley, the two main feedstocks used to fatten cows, sheep, pigs and poultry.

Shares in some of the world's biggest meat packers tumbled. US-listed **Tyson Foods** fell 7.7 per cent. Shares in other food producers also declined.

"I think we have a food crisis right now," said Hussein Allidina, head of commodities research at Morgan Stanley.

In Chicago, the prices of **agricultural commodities** jumped so sharply that they hit limits imposed on daily movement by the city's futures exchange, the biggest in the world.

Traders, unable to use futures contracts because of the limits on trading, bid indicative corn prices to \$5.65 a bushel in the options market, a rise of 13.3 per cent on the day.

In Paris, European wheat prices rose 10 per cent, while the cost of other commodities including soyabeans, sugar, cotton, barley and oats soared.

The rise in prices sent the Reuters-Jefferies CRB commodities index to a two-year high.

The USDA shocked traders by forecasting in its monthly report that the country's corn farmers would harvest about 12.7bn bushels in the 2010-11 crop year that started in September. This is down 4 per cent from the USDA's previous estimate.

The drop would slash the country's stocks to 900m bushels, the lowest level since 1996-97. The USDA also cut wheat and soya production estimates.

"This revision highlights that we are in a very fragile supply and demand situation," said Abdolreza Abbassian, senior economist at the UN Food and Agriculture Organisation in Rome.

The US is the world's largest corn grower and its exports make up the majority of global trade in the grain. The USDA had earlier forecast a record corn crop this year but a **combination of unfavourable heat and heavy rains** forced a re-evaluation of yields.

### Wheat prices



Find out what is behind the recent spike in wheat prices in our interactive graphic. Plus: video analysis and country-by-country data

The fall in supplies has prompted countries such as Russia and Ukraine to impose export restrictions on grains.

Big importers in the Middle East and North Africa have started to hoard supplies, which has further tightened the market.

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