

Commodity Prices Climb Again

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By David Streitfeld and Jad Mouawad

CHICAGO — Commodity prices continued to rise on Thursday, with the price of corn remaining above \$7 a bushel. Soybeans also moved higher. Wheat, which rose on Wednesday, fell on Thursday.

Corn prices, which have been hitting new highs for a week, are reacting to six weeks of heavy rains and cool weather in the Midwest. That prevented planting in some areas, leading some farmers to abandon the crop in the last few days. It is still raining.

The bad weather comes as supplies of corn, wheat and other staples are already tight thanks to soaring global demand.

The higher commodity prices are likely to add to a worldwide inflationary picture that seems to worsen by the day. Prices of many grocery items in the United States have been rising briskly, with some goods like eggs and milk — produced from animals fed with corn — up by 13 to 30 percent in the past year.

“You know those complaints you’ve been hearing about high food prices? They’ve just begun,” said Jason Ward, an analyst with Northstar Commodity in Minneapolis.

Corn futures for July delivery rose 5.75 cents, to \$7.09 a bushel on Thursday. That followed a 30 cent increase on Wednesday. Soybeans, which rose 70 cents, to \$15.16 a bushel on Wednesday, rose 20 cents, to \$15.36 on Thursday. Even wheat, which had fallen in recent months as traders and growers predicted a big crop, has jumped in recent days. Wheat rose 60 cents to \$8.69 a bushel on Wednesday, but fell 18 cents on Thursday.

Oil futures jumped also rose, although more modestly on Thursday. Oil rose 36 cents to \$136.74 a barrel, after increasing \$5.07 on Wednesday. On Wednesday, the catalyst for the sharp jump was an Energy Department report showing commercial oil stockpiles in the United States fell 4.56 million barrels, to 302.2 million last week, a much bigger drop than analysts had expected.

On Monday and Tuesday, oil prices had retreated from Friday’s record of \$138.54 a barrel. Some traders say that the market is now gearing for a quick rise to \$150 a barrel.

The high oil prices are translating into acute pain at the pump, with gasoline hitting a nationwide average of \$4.05 a gallon on Wednesday, a record. Diesel hit \$4.79 a gallon, also a record. A steep drop in the dollar this year has pushed up prices for oil, gold and other commodities as investors seek assets that provide a hedge against the falling American currency.

“This is just crazy volatility,” said Stephen Schork, an independent energy analyst. “At this point, this is absolutely a bubble. High prices have become a justification for higher prices and \$150 a barrel is quickly turning into a self-fulfilling prophecy.”

Not all analysts believe the oil price is a bubble, however. Many point to frenzied growth in oil consumption in Asia, which they fear will outstrip the ability of oil companies to add new supplies.

While demand has been falling in the United States, global oil consumption is still expected to rise this year because of growing demand from emerging economies that subsidize fuel prices, like China and some Middle Eastern countries.

On Wednesday, China said that its crude oil imports had surged 25 percent last month as the country coped with the aftermath of the devastating earthquake that struck in May.

“What we’re seeing is a very painful experiment to see what price will get demand to slow down,” said Adam E. Sieminski, chief energy economist at Deutsche Bank. “Four dollars a gallon is slowing consumption in the United States. But there is an awful lot of people in the developing world and they all want a car and they all want a better diet. That is putting a lot of pressure on food and energy prices.”

After years of oversupply, there is now not enough food to go around. Expectations for the 2008 harvest are rapidly declining.

The Agriculture Department this week cut its yield expectations for corn by 5 bushels an acre, to 148.9 bushels, a big drop for a growing season that has just begun. It now estimates the 2008 crop at 11.7 billion bushels, down 390 million bushels from what it was expecting last month.

Since the rain has not yet let up, these figures could prove optimistic. In its weekly crop rating, the Agriculture Department said that the quality of the corn was notably lower this year, with the amount deemed “excellent” only half that of the 2007 crop.

Rick Corners of Centralia, Ill., had to replant all 500 acres of his corn after it rotted, something he had never done in 33 years of farming. He finished last week, a month behind schedule, and considered himself lucky.

“I heard about a farmer in northern Illinois who had to plant his corn three times, and now he’s under water again,” Mr. Corners said.

Soybeans are generally planted after corn but their price is also being pushed up by the weather and other developments, including a report that China increased its soybean imports in May by 45 percent from the previous month. A strike by Argentine farmers is also serving to limit the world’s supply.

Palle Pedersen, an agronomist at Iowa State University in Ames, said 20 percent of the soybean crop in the state still had to be planted or replanted.

“Every day it rains, the chances of an average crop get smaller and smaller,” Mr. Pedersen said.

The abundance of rain in the corn and soybean belt for the last six weeks — accompanied until recently by chilly temperatures that impeded crop progress — was highly unusual, said Dale Mohler, a meteorologist with AccuWeather.com. “A wet spell of this magnitude in the Midwest probably only happens once every 50 years,” he said.

However belated, relief might be on the way for beleaguered farmers. The meteorologist said he expected drier weather to prevail next week. The crop news is not entirely bleak. This week, the Agriculture Department raised by 2 percent its forecast for the size of the winter wheat harvest, which is now under way.