GRAINS-Soybeans close at 2-1/2 year low as China tariffs loom

Karl Plume Published 1 Hour Ago Reuters

CHICAGO, July 5 (Reuters) - U.S. soybean futures fell to contract lows and closed at their lowest in 2-1/2 years on Thursday ahead of a tit-for-tat trade tariff battle with China that is set to raise duties on U.S. shipments to the world's top importer of the oilseed.

Grains were higher, however, led by surging wheat as harsh weather was seen reducing harvests in Europe. Corn shrugged off pressure from sinking soybeans amid worries that hot weather in the U.S. corn belt could drag down yield potential as the crop enters its key pollination stage of development this month. China is poised to raise tariffs on U.S. soybeans on Friday to a level that is expected to diminish Chinese demand for U.S. shipments.

Soybeans have fallen for five straight sessions, with most actively traded months notching contract lows in the past two sessions as the tariff increase grew increasingly certain. "If China does indeed hit soybeans hard, the prices you see will be your new lows for a while - and I wouldn't be surprised to see some of the bean contracts start with a 7," said EFG Group analyst Tom Fritz, referring to sub-$8-per-bushel prices. "If China doesn't hit soybeans, then I think soybeans tomorrow will trade limit up," he added. Chicago Board of Trade August soybeans fell 8-3/4 cents to $8.39-1/4 a bushel. New-crop November soybeans shed 8-1/2 cents to $8.55-3/4, the lowest closing price for a most-active contract since November 2015. Nearly all soybean contracts notched fresh contract lows during the session.

Wheat futures rallied sharply for a second straight session on worries about smaller harvests from major exporters. The European Union may harvest almost 6 million tonnes less wheat this year after hot, dry weather damaged some crops, a Reuters poll showed.

"The Europeans are saying they're going to have a lot less exportable supply," said Mike Zuzolo, president of Global Commodity Analytics.

"They're tightening up their price to keep more supplies at home, especially with No. 1 and No. 2 producers France and Germany coming in with lower expectations on production," he said, referring to rising export prices in Europe.

CBOT September soft red winter wheat futures were up 14-1/2 cents, or 3 percent, at $5.05-1/2 a bushel. K.C. September hard red winter wheat was up 19-1/4 cents, or 4 percent, at $5.03-1/4 a bushel. CBOT September corn rose 1/4 cent to $3.52-1/4 a bushel, supported by hot, dry weather in the U.S. Midwest forecast. (Add. reporting by P.J. Huffstutter in Chicago; Editing by Dan Grebler and Bill Trott)