



# Speculators Slash Bets on Higher Food Prices

By Whitney McFerron, Elizabeth Campbell and Debarati Roy - May 23, 2011

Funds cut bets on rising prices for wheat, cocoa and other food commodities on easing concern about shortages and on speculation higher costs will curb demand.

Speculators reduced their net-long position in wheat by 54 percent to 11,206 futures and options contracts on the [Chicago](#) Board of Trade in the week ended May 17, data from the U.S. Commodity Futures Trading Commission show. The position in cocoa slumped 39 percent, in lean hogs 33 percent, in coffee 31 percent and in [soybean oil](#) 15 percent.

The Standard & Poor's GSCI Agriculture Index rallied 7.7 percent since May 13 as European farmers contend with the driest growing conditions in more than three decades, drought threatens crops in [China](#) and flooding and heat ruin harvests in the U.S. The gauge of eight commodities is 76 percent higher than a year ago and the United Nations said May 5 that global food prices rose to near a record last month, adding pressure to inflation that is accelerating from Beijing to Brasilia.

"Investors got a bit jittery whether the upside could be sustained after a good run over the past couple of weeks," said [Abah Ofon](#), an analyst at Standard Chartered Plc in [Singapore](#). "Fundamentals are supportive of the markets though. There are supply risks coming from weather in Europe and the U.S."

The net-long position of funds across 18 U.S. commodity futures declined 11 percent to 1.09 million contracts, the lowest since July, CFTC data show. Holdings in sugar, live cattle, soybean meal, soybeans and corn also retreated.

## Output Forecasts Cut

The decline in bullish bets on wheat came before forecasts for lower-than-expected output in France and Germany on May 18. Prices have also rallied since then as wet

weather delayed U.S. planting. The next report, with data through May 24, may show a rebound in the net-long position, said [Tim Hannagan](#), a grain- market analyst for PFG Best Inc. in Chicago.

Wheat for July delivery advanced 0.5 percent to \$8.1075 a bushel as of 1:48 a.m. in Chicago.

The decline in the lean-hog position may reflect concern that higher prices are curbing demand, said [Dan Vaught](#), the owner of Vaught Futures Insights in Altus, [Arkansas](#). Wholesale pork on May 16 climbed to 98.31 cents a pound, the highest since at least October 1997, U.S. Department of Agriculture data show.

"It simply goes back to the current industry mindset that the recent run-up in prices has done a great deal to strangle domestic demand," Vaught said. The jump in fuel costs "doesn't leave a lot of room in people's budgets for a lot of items, particularly some of your higher-priced meat cuts," he said.

## Gasoline Prices

On May 4, the national average of regular gasoline at the pump reached \$3.985 a gallon, the highest since July 2008, according to AAA, the leading U.S. motoring organization.

Cocoa futures traded in [New York](#) declined for three consecutive weeks as exports resumed from [Ivory Coast](#), the world's biggest producer. Prices will drop to as low as \$2,525 a metric ton by the end of December, down 13 percent from the May 20 close of \$2,902, according to the average estimate of seven analysts in a Bloomberg survey. Cocoa has slumped 23 percent since reaching a 32-year high on March 4.

"Cocoa prices will steadily decline into year-end with the Ivory Coast supplies being slowly liberated," said Luis Rangel, a vice president at ICAP Futures LLC in [Jersey City, New Jersey](#).

Shipments of [cocoa beans](#) registered at Ivory Coast's ports rose 18 percent to 15,872 tons in the 14 days to May 12 from a year earlier, according to an industry official with access to the data.

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