



Pasta Price May Surge as Swamped North Dakota Cuts Durum Supply

By Whitney McFerron - Jun 24, 2011

Unrelenting rainfall may have slashed U.S. planting of durum wheat to the lowest level in more than 50 years, fueling a surge in the price of pasta and noodles as mills scramble for supply of the grain.

Farmers who normally are finished planting by now had completed just 44 percent as of June 19 in [North Dakota](#), which produces more than two-thirds of U.S. durum, government data show. It's too late to sow more without delaying the harvest to the winter-frost period, said Frayne Olson, an agricultural economist at North Dakota State University in Fargo.

Planting may drop 47 percent this year to 1.365 million acres, the lowest since 1959, Olson said. In the past month, parts of North Dakota and [Montana](#), the second-biggest grower, had triple the normal rainfall, [National Weather Service](#) data show. North Dakota durum prices are up 52 percent in the past month, and U.S. pasta in May was the most-expensive on record.

"Basically, the selling has shut off in the U.S., because if you're a holder of durum, there's no point in selling it," said Jim Kulp, a general manager at Philadelphia Macaroni, which makes pasta including the Alphabet Soup noodles for [Campbell Soup Co. \(CPB\)](#) "If you're holding durum wheat, it's like gold. So why would you sell it?"

While durum accounted for less than 5 percent of total U.S. wheat output last year, it is the primary source of grain used in pastas. Varieties including soft, red and hard, red winter wheat are baked into pastries, cookies and bread.

The [U.S. Department of Agriculture](#) will update its durum- acreage estimate on June 30. In March, the agency said farmers would plant 2.365 million acres this year.

Tighter Supplies

Durum in the U.S. is getting scarce, and the Canadian prices jumped 46 percent since late May, boosting costs for Philadelphia Macaroni's mill in Minot, North Dakota, Kulp said.

Too much rain in [Canada](#), the world's largest durum exporter, also may erode North American supplies. At the same time, increasing demand and adverse weather -- from floods in the U.S. Midwest to a drought in [Europe](#) -- has tightened global crop inventories of corn, wheat and soybeans.

Statistics [Canada](#) said yesterday that durum [planting](#) may total 4.375 million acres this year, less than the 5.05 million projected in [April](#). Seeding still is expected to be up from 3.15 million in 2010, when excessive rains also curbed output, the government agency said.

"Canada, they're the ones that are going to have to make up the shortfall in the U.S.," said Charles Soule, a market analyst with Country Hedging Inc. in [St. Paul, Minnesota](#). "No doubt, it's going to be a tight situation."

As of March 31, Canadian durum-wheat [stockpiles](#) totaled 2.871 million tons, or 40 percent less than a year earlier, according to [Statistics Canada](#).

Surging Prices

Grain elevators in North Dakota are paying farmers about \$14.40 a bushel for durum on average, up from \$9.50 a month ago, North Dakota State's Olson said. The price may top the record of \$23 reached in February 2008 if additional weather problems hurt crops this growing season, he said.

The price of durum is rising faster than wheat futures on the Chicago Board of Trade, which primarily track the soft-red winter variety grown in the Midwest. Wheat futures are up 41 percent in the past year to \$6.6925 a bushel yesterday.

"Higher durum prices are going to work their way through the system to higher pasta prices," Olson said. "The cost of durum in the total cost of manufacturing pasta is fairly significant. There's a limited amount the pasta manufacturer can do to absorb that cost differential. This will eventually have to be passed on to consumers."

Food-Price Inflation

Pasta at U.S. supermarkets climbed to \$1.231 a pound in May, the highest on records going back to 1980, according to the Bureau of Labor Statistics.

The USDA estimated on May 25 that the cost of domestic cereal and bakery products will rise 3.5 percent to 4.5 percent this year, faster than overall food costs. Global food prices reached a record in February, and are up 37 percent in the past year, the [United Nations](#) says.

B. Craig Owens, the chief financial officer of Camden, New Jersey-based Campbell, said during a conference call in May that the company would raise soup prices this month because of higher commodity costs.

"We are beginning to see higher rates of inflation, particularly in grain-based commodities, packaging and other ingredients," Owens said.

Louis Kuster, a fifth-generation farmer in Stanley, North Dakota, said he's only planted about 15 percent of his usual 2,000 acres of durum, with fields dry enough for fieldwork only three days this season. He'll collect crop insurance on the remaining 85 percent of land left fallow because it's too late to plant now.

"Everybody has pretty much put their planting equipment away," said Kuster, who's been farming all his life and has owned his own operation since 1972. "I've never seen it ever be as wet as this."

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