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Corn may jump another 27% before drop next year

By Marina Kolesnikova, - February 15th 2011

Corn, up 14 percent this year, may jump another 27 percent in the next six months before supplies catch up with demand, pulling prices lower next year, according to Tellurian Capital Management LLP said.

Corn may rise to \$8 to \$9 a bushel in three to six months, Jean-Marc Bonnefous, the hedge fund's managing partner, said in interview in Geneva on Feb. 15. Corn for May delivery climbed 0.7 percent to \$7.06 a bushel by 8:36 a.m. London time on the Chicago Board of Trade.

"I would expect the best this year and the worst next year in terms of outperformance," Bonnefous said. Tellurian's exposure to agriculture is "overweight" and will be reduced next year, Bonnefous said.

Corn will probably extend gains on reduced production, while rice is the "best value for money in the market" and more attractive than wheat, he said. The move in sugar "has mostly happened," he said.

Rice has climbed 2.2 percent this year, while wheat is up 10 percent. Raw sugar futures have dropped 9 percent this year after climbing for the past three years. Higher prices of wheat, rice, sugar and dairy products helped push the Food and Agriculture Organization's Food Price Index to a record lastmonth.

"Most of the new crops are going to come in later in the year, or in the New Year, so 2011 is going to be a year of exceptional performance in agricultural," Bonnefous said.

Cotton above \$2 a pound in New York is likely to face demand destruction, he said. The May futures contract today rose to a record \$2.0193 a pound on ICE Futures U.S. in New York.

"The problem with cotton is that there won't be any significant new crop until next year," he said. "All the cotton has been pre-sold."