

# -CBOT corn, soy, wheat rally after U.S.-China trade deal

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*(Adds closing prices, analyst quote)*

CHICAGO, Dec 16 (Reuters) - U.S. wheat, corn and soybean futures rallied on Monday, bolstered by hopes for improving export prospects due to increased demand from China and decreased competition from Argentina, traders said.

Wheat notched the biggest gains, with the most-active Chicago Board of Trade soft red winter wheat contract surging 3.2% to its highest in 5-1/2 months. Corn jumped to its highest since Nov. 1 and soybeans hit their highest since Nov. 15.

“The grain markets took positive momentum into the weekend on the heels of a ‘phase one’ trade deal with China, and the good vibes continue today despite plenty of uncertainty on the real, ultimate effect of the agreement on U.S. Ag exports,” Matt Zeller, director of market information at INTL FCStone, said in a note to clients.

Under the trade agreement announced last week, Washington will reduce some tariffs on Chinese imports in exchange for Chinese purchases of agricultural, manufactured and energy products increasing by about \$20 billion over the next two years.

Chicago Board of Trade March soft red winter wheat futures settled up 17-1/4 cents at \$5.49-3/4 a bushel.

CBOT January soybeans were 14-1/2 cents higher at \$9.22 a bushel, just below its session high, and CBOT March corn was up 7 cents at \$3.88 a bushel.

“No one expects the Chinese to buy huge amounts of corn, but they do expect them to buy big chunks of meats, ethanol, DDGs, and sorghum, all of which would help the corn balance sheet,” Charlie Sernatinger, global head of grain futures at ED&F Man Capital, said in a note to clients.

Argentina’s new government hiked export levies on soy, wheat and corn, an official decree showed.

The measure, which will raise the levy for soybeans, soyoil and soymeal to 30% and the rate for corn and wheat to 12% as authorities tackle a debt crisis, but could curb export flows in the short term.

“Geopolitics is dominating news as after a first stage agreement between the U.S. and China, it’s Argentina that is coming back into focus,” consultancy Agritel said in a note. “These two factors are supporting prices, especially oilseeds which are also (supported by) crude oil that is higher.”

Wheat prices drew additional support from sowing difficulties in Europe and the Black Sea region.

A very dry autumn in Ukraine caused a nearly 10% drop in winter-wheat sowing, analyst firm APK-Inform said. (Additional reporting by Gus Trompiz in Paris and Naveen Thukral in Singapore; Editing by Aditya Soni, Chizu Nomiyama, David Gregorio and Richard Chang)