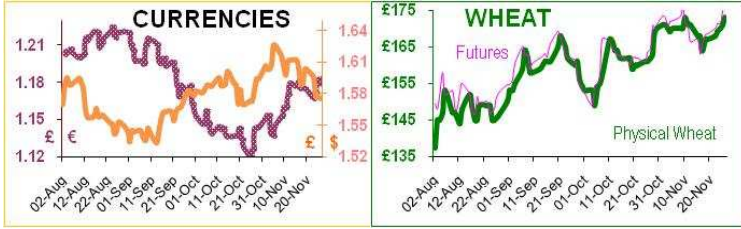




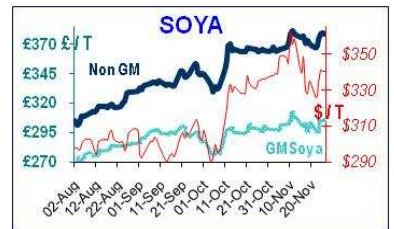
Humphrey Feeds Weekly Commodity Report w/e 26-11-10



A heady spicy mix this week – depending where you live: a potential shortage of wheat and soya; add a touch of war (Korea); interest rate hikes by the world's biggest commodity buyer, throw in a hedge of fund managers desperate for a Christmas bonus; ensure half the money can't play because of Thanksgiving holiday; and the finishing touch – a potential Euro crisis. If this was a curry, it would be a vindaloo.

The Times headlines on Monday 'Humiliated Irish forced into €85bn bailout' set the tone for the week. Greece was humiliated with €110bn in May. A number of FTSE-listed companies who relocated to Ireland to take advantage of low corporation tax (12.5%) such as WPP, United Business Media, and Shire Pharmaceuticals may be humiliated as pressures mount to increase tax; several large companies have left the Green Isle taking with them some €10bn. Apparently the Royal BS is owed £billions by Ireland, which is why the UK needs to support the Irish. A Euro crisis making currencies volatile.

After last week's announcement that China would take steps to curb inflation, and as local maize prices hit an all-time high this week, China took action. It released over 2mt of soya beans from its reserves and 200,000t of vegetable oils and simultaneously increased its interest rates by 0.5% to slow domestic food inflation. In response US investors sold a further tranche of commodities, particularly soya bean meal which fell \$9.20/short ton. However, funds are a fickle bunch, and after last Friday's and this week's sell-off we believe other funds have since bought back about 60-70% of what they sold. China is clearly worried about food security, and their Banking Regulatory Commission instructed banks to speed up and increase loans to the entire agricultural sector and reduce loans elsewhere. The focus is also to reduce food inflation by making rice, maize, vegetables, cotton and sugar more available. A positive stance is being taken against speculation, food hoarding and price manipulation. Russia too, is experiencing similar price inflation as domestic supplies dry up, and there are rumours that they will release 6-12mt from their grain reserves. In the UK, two grain traders are predicting that 2mt will have been exported by Christmas; yet we only have a 1.3mt exportable surplus.



Since the last USDA report, US speculators have been selling maize and continue to liquidate their huge long position. It would appear the funds are now investing in gold and other non-agricultural commodities; as well as building up cash reserves for vulture capital swoops in the case of a full-blown Euro crisis. Soya beans were supported at \$12/b, and it would appear that this might well be the floor.

There are no suppliers of Non-GM soya in the south of England. The four UK soya suppliers have no continuity of Non-GM supply until new crop in May/June. We are surviving by drawing forward on existing contracts, as are many other feed companies. Most of the heaps of Non-GM soya stored at the ports are already sold and supplies are dwindling fast. Brazil has now sold out of Non-GM, so what is left in the country, is probably all we are to receive. Non-GM is quoted ex a northern port (about 200 miles away) at about £365/t; GM soya is available 5 miles away at £297/t. The weather in South America is patchy, there are light rains, but the coverage is not consistent – with northern Argentina (20% of the soya area) and Rio Grande du Sol in Brazil being very dry. In trade-speak, the weather is a concern, it is a developing 'situation', and may yet become a threat.



The fantasy sold to millions of boys in the 1960's (in the classifieds of American superhero comics) has now become reality. As Americans flew home for Thanksgiving, outrage mounted as full-colour body scanners have been installed at 70 airports. For those that refused to be scanned, 'enhanced pat-downs' of breasts and genital areas were implemented. Passenger reactions were mixed. One woman in Seattle performed a full striptease in the screening area; a man from California stopped an official from patting his groin with the words: 'If you touch my junk, I'll have you arrested'. [Now on You Tube].



Regards
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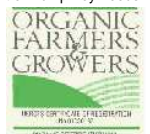
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