

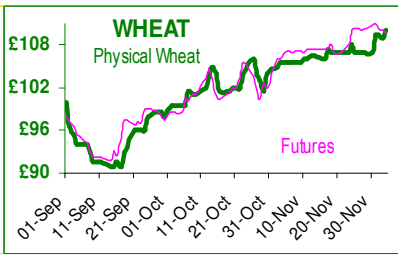
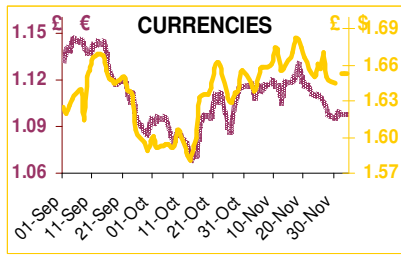


HUMPHREY FEEDS

WEEKLY COMMODITY REPORT W/E 4-12-9



BY APPOINTMENT TO
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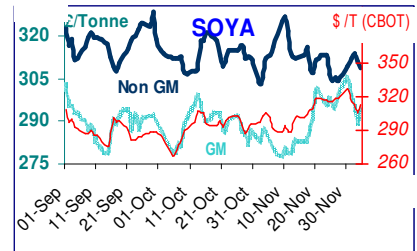
3 very differing views on the global wheat situation:

1. The grain traders viewpoint: Brett Boyer, director of research for Brock Associates in Milwaukee said: 'Global wheat coffers are overflowing in the wake of bumper harvests in Ukraine and the Black Sea region of Russia'. US stockpiles are on track to be the highest in a decade while exports are projected to decline to a seven-year low, which means U.S. wheat is overpriced compared to elsewhere in the world. 'Domestically and globally, supply

and demand fundamentals both favor lower prices, there's plenty of wheat out there, and there's simply not enough demand to suck it up. Even with the weak dollar, U.S. wheat is overpriced'.

2. The USDA view: The USDA estimates a closing stock of 885mb at the end of the 2009-10 marketing year, up 35% from 2008-9, and the highest ending stocks since 950mb in 1999-2000, when the average soft red winter wheat farm price was \$2.17 a bushel.

3. The fund investor's viewpoint: Daniels Trading: 'The ... funds ... are looking for commodity markets that have lagged in recent months [such as] wheat. In fact, after adjusting for inflation since 1980, wheat is very cheap. If we were buying nearby wheat futures with 1980 dollars, today's price would be under \$2.25. Or, the midpoint of nearby wheat futures during the 20 years from 1970 to 1990 was roughly \$3.00 per bushel. If we again start at 1980 and inflate that \$3.00 price into 2009 dollars, that would compute to a price of about \$6.89 per bushel. This is a simplistic way of looking at commodity prices, and ... these are the sort of broad historical parameters that some money managers and investors may be looking at given the potential for an inflationary upswing'.



So US wheat prices jumped up this week, as fundamentals clashed with fund speculation. The funds had bet that wheat prices would fall, and then some changed their minds to buy back positions, forcing prices higher. Apparently the funds see the wheat mountains starting to decline.

The amino acid Lysine, a sub-component of protein, cannot be synthesized in the body, so must be absorbed from the diet. The three main producers of lysine are: Ajinomoto who produce 30% (about 1mt) of the world's supply, Archer-Daniels-Midlands (ADM), and China's Global Bio-Chem Technology Group (GBT). Three years ago, Ajinomoto, complained that GBT had infringed two of its patents. Ajinomoto won their case in the Patents Court at the Hague in 2007, but lost at the International Trade Commission (ITC) in Washington in 2008. However the ITC case rumbles on, and the next hearing is next week Dec 10th. So Europe has been short of Chinese lysine (40,000t/yr ?) and as proteins have recently increased in price (particularly soya and fishmeal) the demand for lysine has increased. To add fuel to the fire a major EU supplier claimed force majeure last week, so lysine prices have increased by about 40% and is now about £1800/ton. The other essential amino acids, methionine and threonine have followed suit. Fishmeal is up about £200/t in the past month, and is currently about £1000/ton (£680 a year ago). Chinese Smart Alecs announced that they will not buy further soya until March next year, due to the current high prices.

There is worldwide support of gold: India recently bought 200 tonne; and now the US has run out of gold coins – the American Eagle. Hedge fund manager John Paulson plans to invest \$250m (£149m) of his \$6bn personal fortune in gold. [Paulson is best known for making \$3.7bn from the collapse of the US sub-prime mortgage market]. Francisco Blanch, head of global commodities research at BofA-Merrill Lynch said that gold would hit \$1500/oz, and that crude oil prices would hit \$100/b by late 2010 or early 2011. [Blanch correctly predicted, in Nov 2007, that crude oil would reach \$150/b. It hit \$147 in Aug 2008]. If he is correct then the future of biofuel [and cereals] looks bullish.

A Guangzhou artist has sculpted a ¥uan50 banknote, apparently using thousands of white and brown eggs. Any budding UK sculptors out there?

Good to see many of you at BFREPA



Regards

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