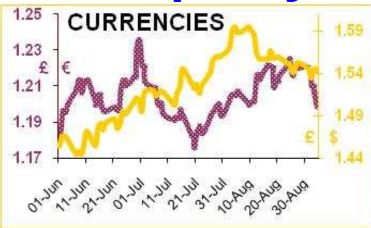
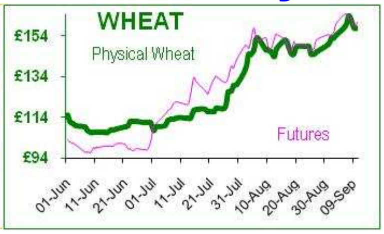
Humphrey Feeds Weekly Commodity Report w/e 10-9-10

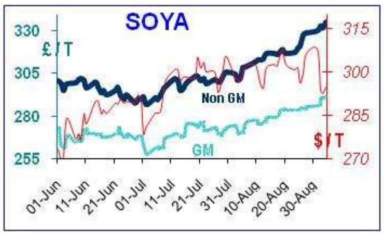




This was a Twilight Zone week, sandwiched and suspended between last Fridays Informa data, and this Fridays USDA report. Informa Economics estimated global soyabean production 2010/11 at 260.3mt (259.2mt last year) of which the US is 93.5mt (91.4mt last year), Brazil 68.3mt (68.5mt last year) and Argentina 52.5mt (54 mt last year). Global wheat production this year is now forecast at 642.4mt (679.5mt last year), of which the EU is 134.5mt (138.2mt, Ukraine to 17.0mt (20.9mt), the US 61.6mt (60.3), Canada 21.3mt (26.5mt), China 116.0mt (115.0mt), and Australia at 24.0mt (21.7mt). Informa also reduced their forecast for global maize from 830mt to 825mt (817mt last year), of which the US is 330mt (333mt last year) and the EU 55.6mt (55.8mt last year). But they used a yield of 158.5b/acre compared with the USDA's estimate of 165b/acre which electrified the bulls, and maize prices shot up 4%, taking soya and wheat with it. Commodity funds bought 25,000 maize and 6000 soya contracts in a single day! Apparently a yield of 160b/acre or less would result in tight supplies for the US, so instead of the cavalry riding to the rescue with US wheat (because Russia failed to feed the world) they could be short of ammunition.

French wheat exports are leaving the country so fast, that easy-to-find supplies are running out, and prices are rising as farmers restrict supply. About 90% of the French crop (37mt total crop) will qualify as milling wheat, whereas about 40-50% of German wheat (23mt total crop) has been downgraded by recent rains to feed wheat. France has already sold 50% of its exportable surplus and is on target to sell 8mt (out of 11mt total) by the end of December. The UK will have sold more than its exportable surplus by December, which means we may be importing (US?) wheat before the end of the season at a premium to current reported levels! The differential between French and UK wheat reduced to £25-28/t this week (£35/t last week). It still seems too big a difference to be explained by only quality and currency. A couple of extremely rare bearish factors came into play this week; Canada's wheat stocks at July 31 were higher than expected at 7.8mt (6.5mt last year), and Australia believes it will harvest 24mt of wheat (21.7mt last year). Hurrah for the colonies!

Mixed messages or forked tongue? Prime Minister Putin said he wants to extend the export ban until next year's crop. President Medvedev suggested that the ban might be lifted soon. The dilemma between politics (feeding the people and keeping prices affordable) and capitalism (making money by exporting and maintaining the customer base) is starkly illustrated. Or is it capitalist-politics – imposing the ban to lift prices and using force majeure to get out of cheap contracts? There's a PhD here for someone! Russian farmers are gambling with the weather again, by planting their winter wheat in dry soil. Moscow plans to plant an optimistic 18mha of wheat by the end of September, in an attempt to produce 80mt next year (60mt this year, 97mt last year). The problem is that many farmers have lost out on this year's income, and are struggling for cash for fertilizer etc. If this planting also fails, many farmers will face ruin, and global wheat prices may well by sky-high next harvest year as well. This last comment also applies to Pakistan. The Ukraine's customs are preventing more than 20 ships loaded with 380,000t from leaving port under the guise of QC inspections. GAFTA are complaining.



Maize futures hit a 23-month high as speculators bought 18,000 contracts mainly due to positioning before Fridays USDA report. Similarly soya beans hit $10.57/b this week, a 9-month high. All the soya growing reports have been good-excellent, so the USDA was expected to pronounce bearish news. In the event the USDA figures were in line with trade expectations, and the markets remained steady (so far). In UK terms NonGM soya was £340 delivered to the mill, and GM soya is £296. UK wheat varied +/-£2 around £159 delivered to the mill.

The Twilight Zone (continued). The ruling Democratic Liberal party of Romania have increased VAT from 19% to 24%, and reduced public sector salaries by 25% in order to raise revenue in a severe economic downturn. Desperate to raise more funds they also proposed to tax fortune-tellers and witches, and to even to impose penalties for predictions that failed to come true. The senate refused to enact the law.

Regards
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