

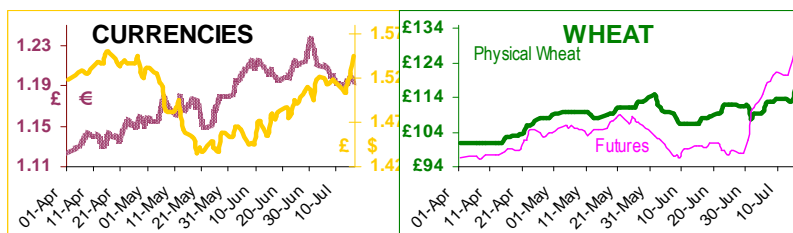


HUMPHREY FEEDS

# WEEKLY COMMODITY REPORT W/E 16-7-10



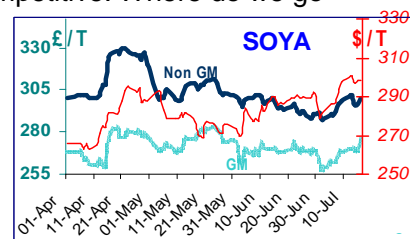
BY APPOINTMENT TO  
HER MAJESTY THE QUEEN  
MANUFACTURERS AND SUPPLIERS OF POULTRY FEEDS  
HUMPHREY FEEDS LTD  
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Ouch! The bearish USDA report last week, cut the global wheat crop by 7.5mt to 661mt, when the trade believed that this was too conservative, and that a cut of 10-20mt was more realistic. This week the trade would like to double that figure. The trade was lulled into a sense of false security as November wheat futures bounced between £117 and £120 for most of last week. This Monday and

Tuesday prices weakened slightly, giving hope that this rally was topping out. Then on Wednesday the Ukraine announced that they were experiencing the worst drought in 130 years – affecting 9mha; Germany and Hungary lowered their harvest predictions by 5-10%; and the French have issued conflicting reports that yields are unaffected, to a decline of up to 17%; so futures opened at £118 and closed at £122. Informa threw fuel on the fire by cutting its 2010 wheat forecast for Former Soviet Union countries by 6mt to 88.6mt (113.6mt last year); Russia's wheat production was cut by 2mt to 51mt (10.7mt less than last year); Kazakhstan's wheat crop was cut 3mt to 11 mt (6mt less than last year); and Ukraine's wheat crop was cut 1 million to 19mt (2mt less than last year). All this news came when the French were on holiday – the 14th July is Bastille day – so the Matif dam burst on Thursday. In the first five minutes of trading on the Matif, some 5000 lots had traded, and 10,000 lots in the first hour. The Liffe followed, opening at £123.90 and hitting £5-up within an hour's trading, and £8-up at £130 by lunchtime, and £10 at £133 at teatime. This is the highest price since June 2009 (although it did drop £2 on Friday). It would appear that the funds and the banks (probably French) have again taken hold of our markets. Although there is plenty of wheat in the world, it would appear that Russia and the Ukraine will have less wheat to export, so that the US and others will have to step in. Not a problem for the US, who have massive stocks – a 1bn bushel wheat carryout which they could not export because the \$ made wheat uncompetitive. Where do we go from here? It is horribly reminiscent of the price spike of 2007, which also started in July. But the reality is, unlike 2007, that there is sufficient wheat in the world, and currently no shortage of maize.

CBOT soyabean are following cereals which in turn are following European markets, so soyabeans hit a six month high (and US wheat was the highest since Jun 2009). Tight old US crop soya supplies combined with lack of Brazilian farm selling are supporting new US crop prices. China is still buying old and new crop US soya. The trade believe the soya price could collapse once the US harvest starts in the first week in September, but with this current spike some buyers are taking insurance cover to April 2011. A weather market for soya is expected over the next 6 weeks, as the pod setting stage determines yield. August is also the last futures position of the old crop, and therefore is equivalent to carry-over, so most speculators have to sell to avoid delivery. Similarly farmers will sell any physical stocks that they have left over. The mid-week prices for US soya bean contracts were July \$10.27/b, August \$9.95/b and September \$9.65/b. South American farmers have been reluctant sellers, mainly because Brazilian Real has shown some strength REagainst the US Dollar; so they only have a clear selling field for only six weeks, and then will be in competition with US farmers.



Price of 100 litres of wheat	
1730	9.5 F
1750	14.5 F
1770	19.8 F
1789	21.0 F

The storming of the Bastille took place on 14th July 1789, one of the first steps in the French Revolution. There are many reasons why the citizens of Paris decided to take on the heavily armed fortress and prison, which include: the widespread famine and malnutrition due to rising bread prices, which had soared from the normal 8 sous for a 4lb loaf to 12 sous by the end of 1789; and the massive national debt of 2bn livres due to the French participation in the American Revolutionary war.



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