

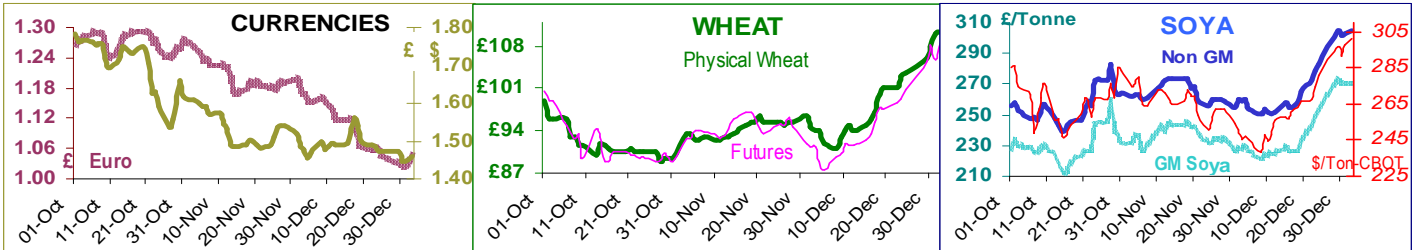


HUMPHREY FEEDS



BY APPOINTMENT TO HER MAJESTY THE QUEEN MANUFACTURERS AND SUPPLIERS OF POULTRY FEEDS HUMPHREY FEEDS LTD WINCHESTER

# WEEKLY COMMODITY REPORT W/E 2-1-9



This strange week between Christmas and New Year is always a messy week, and this was no exception! That's apart from three customers who ran out of feed on Christmas Eve! But the raw material markets have also been behaving strangely and our first explanation was that someone was manipulating the markets to their own advantage. Why else would UK wheat jump up £5.60/tonne on Monday? However the world dumped the £ on Monday as it hit the lowest level against the €, where €1 = £0.98. So currency explains most of the recent increase ie €120/1.15 = £104, whereas €120/0.98 = £122. The UK has been quick to lower interest rates, whilst the EU has not; so if the ECB reduces rates next week, then currency will change, and the price of UK wheat will go down again. At this moment in time, the UK is very export competitive, the new crop wheat is at prices which are sustainable; and if there is a problem (anywhere in the world) with new crop, then it will drag up the prices of old crop.

The EU has issued export licenses for 11mt of wheat (65% of the surplus), but up until last week sales were drying up as prices fell, so farmers did not want to sell, and cash-strapped buyers are waiting for lower prices. Now prices are higher, farmers probably won't sell as they wait for the top, and impecunious buyers gnash their teeth. Dec 5th was the low point for both wheat and maize. Wheat was then £88/t for Jan09 futures, and closed on Boxing Day at £100.85, and on Monday at £105.50. CBOT Soya has also been in an uptrend since Dec 5th, but jumped sharply upwards on Boxing Day closing at \$9.51 for January, on the back of concerns about lack of rain in South American and continuing demand from China. However, volumes were low, and sellers still on holiday.

Russia estimates its wheat crop at 108mt (82mt last year) so the government has bought 3mt of wheat, and put 20mt into intervention, in an attempt to support its farmers. Its plans to subsidise wheat exports are still in limbo; but if they come to fruition, will lower global prices. Although Russia has \$450bn in reserves, it is losing \$6-10bn/week in propping up the rouble; and as a commodity-based economy (particularly oil) it is being hard hit by low prices. Russia recently increased the import tax on foreign cars to force local consumers to buy local. It would seem that many of the Bric countries (Brazil, Russia, India & China) have become lead balloons.

The war between Israel and Hamas reminded traders of the risk to the oil trade from the Middle East, and for those of us with grey beards – the risk to trade through the Suez. So the rise in crude oil, is not without its effect on commodities.

To sign off the year on a light-hearted but uplifting note, we tried to find a photo of British nutters taking traditional Boxing and New Year's Day icy plunges, but failed. Sometimes research is so rewarding! Happy New Year.



Regards

Paul Poornan & Martin Humphrey  
Humphrey Feeds Ltd

DDI 01962 764522  
Mobile 07785 222279  
Fax: 0871 7146533

**Feed Order No:01962 764510**

**[feedsales@humphreyfeeds.com](mailto:feedsales@humphreyfeeds.com)**



**HUMPHREY FEEDS**

Hazeley Road, Twyford, Winchester, Hants SO21 1QA  
Feed Sales 01962 764510 Fax 01962 764511 Tel 01962 764500  
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