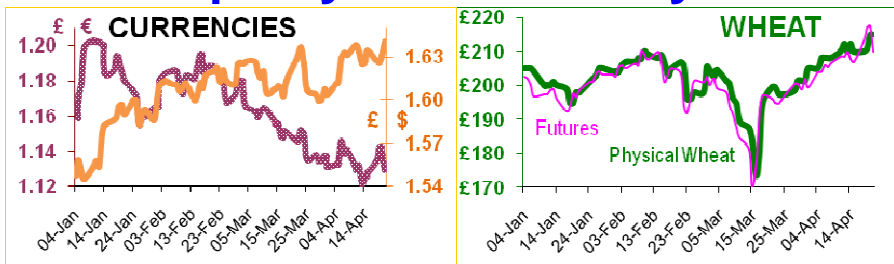




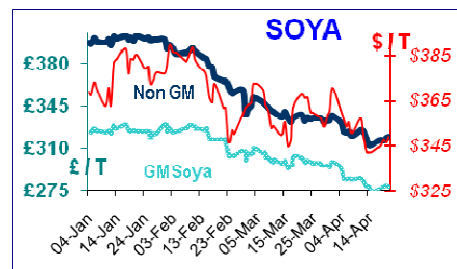
## Humphrey Feeds Weekly Commodity Report w/e 21-4-11



Last Friday, May futures closed at £207, Nov at £164.50. Over the weekend someone looked at the weather and forecasts for the USA and the EU, noted that both were dry, and fear shook the markets at the start of this week. At the close on Wednesday, May was £217.50 (having retreated from a high of £222), and November was £178.25. By midday on Thursday, profit-taking meant that

May was down £4, and November down £1.25. Although there is genuine cause for concern if the current weather continues, it is way too soon to get excited about the effect on cereals – just look at the way my lawn is growing, despite the fact that we have not had decent rain for some time. A UK grain trader joked that if it rains prices will come down £15, and if people just talk about rain it will come down £15. It is a fragile market. In the US the weather is complicated – the winter wheat growing areas look a little dry with 38% of the crop in the poor, and 36% (69% last year) in the good categories. Rain is forecast in the next week, but then the scaredy-cats worry that the ground might get too wet to plant maize. My email box is full of weather maps, confirming that this is a 'weather-market'. Despite predictions that maize prices must rise to ration demand, prices have trended weaker over the past 9 trading sessions, and is currently trading at \$7.32/b.

In US price terms, soya has been range bound for most of this year, but currency has been wild. At the end of December, the £ was worth \$1.535, and it is now \$1.649. The soya crush margins in China are in negative territory, because the government has released soya bean and vegetable oil from reserves to combat food inflation. Consequently, the Chinese crushing mills have cancelled about 7 shipments from South America, and the indications are that there will be a knock-on effect for the next 20-30 planned shipments because of poor consumer demand. Although the Chinese withdrawal from the market has pressurized prices, it would seem that US soya is tracking US wheat. The Brazilian soya harvest is now about 90% complete.



The USDA (sigh!) has apparently realised that using maize to manufacture biofuel has 'consequences' - perhaps the barbs of the World Bank and Oxfam were too pointed to ignore - so a revised biorefinery finance program has been initiated to stimulate (non-food) cellulosic biofuel production. The original target was to have 250m gallons of cellulosic ethanol by this year, but that failed miserably because the requirements to guarantee a USDA loan were too stringent. The USDA is offering up to \$463m in loan guarantees to non-corn ethanol projects this year, with looser purse-strings. Finally, a use for my grass cuttings!

The Commodity report will be on holiday next week, as technically there are only three market days at the Liffe, and as most of the grain trade will be on holiday – unlike the farmers and feedmillers! Unable to resolve some of the challenges that faced them, the parliamentary members of Kyrgyzstan requested the aid of a higher authority by sacrificing seven sheep before the start of today's meeting. Each member paid 700 Som (£9) for the ritual, and the Speaker reported that the aim was to 'help to exorcise the demons outside Parliament'. It must have worked inside too, as the three-party coalition which resorted to fisticuffs to settle an argument a few weeks ago; post-ritual, approved draft laws on reforming the electoral system. I wonder if that would work for commodity markets?



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