

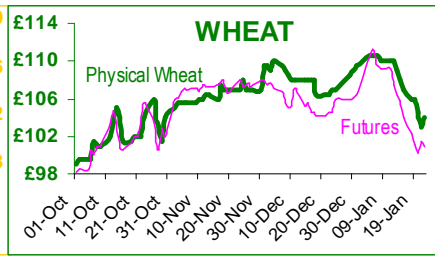
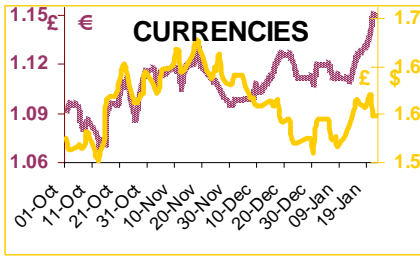


HUMPHREY FEEDS

# WEEKLY COMMODITY REPORT W/E 22-1-10



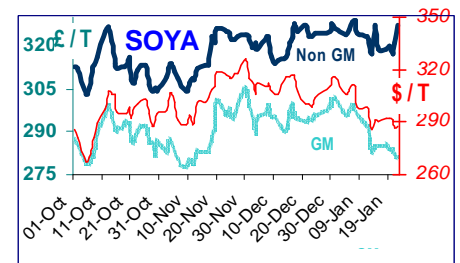
BY APPOINTMENT TO  
HER MAJESTY THE QUEEN  
MANUFACTURERS AND SUPPLIERS OF POULTRY FEEDS  
HUMPHREY FEEDS LTD  
WINCHESTER



Monday was a relatively unusual day, as the US was closed for ML King Day, so the Liffe and Matif had to make up their own minds, without taking their lead from the US. Both fell, about £1.60 on the Liffe. On 5th January, March futures wheat was £111.25, on the 20th Jan it was £100.25, a fall of £11/tonne; a price last seen in October last year. In theory that would indicate that wheat

delivered to the mill in January should be £102, but as farmers will not currently sell for less than £100ex farm, the physical price is £106 delivered to the mill to prise it out of their hands. The feeling is that there may well be £10 downside in wheat, but farmers are in denial. The EU has plenty of wheat, and exports are slow because the weak \$ means the Middle East states prefer to buy Russian/Ukrainian/Kazakh wheat. So this harvest year, prices are more likely than not to decline if one considers the fundamentals. However, if the funds ...

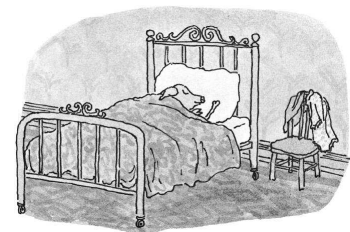
The feed mill buyers that bought soya bean meal some while ago are sitting pretty, whilst those that did not are still buying expensive spot. Thus the only current trade is spot, and as demand is tending to exceed supply, prices are buoyant. Soya importers are constantly on the back foot, only importing that for which they have orders, and so prices are not expected to significantly decline until the spring, no matter what happens on the CBOT. Soya's side-kick, sunflower seed meal, was in the £120's back in October, and is currently close to £160ex UK port, partly due to the high price of soya, and partly because importers are protecting dwindling stocks because there are no new supplies. The 32% protein sunflower used in poultry feed, is mainly produced in South America, and harvest is not until March. Rapeseed meal (which we do not use) is sunflower's side-kick, has risen £28/tonne in two weeks and there are few sellers, which is now pressurising sunflower and soya.



In the US current costs and respective yields indicate a net return of \$94/acre for soya, and \$84/acre for maize, which has led one analyst to estimate next year's plantings at 79ma of soya (77.5ma this year) and 89ma maize (86ma this year), so logically US wheat planting would fall. However the weather has a big part to play in the farmers' choice of crop – a dry April would favour maize.

China bought two cargoes of US soya beans for April delivery; probably because no-one from South America wants to sell. Last year the Chinese banks were encouraged to lend £900bn credit following the government's \$586bn stimulus package which succeeded in achieving the same growth rates as pre-crisis. You may recall the strange soya auctions where the government subsidised domestic soya? In five days (two weeks ago) the Chinese banks lent £54bn, so the People's Bank of China (PBoC) had to intervene to reduce liquidity. China needs to maintain high growth, because a recession would lead to unemployment, social unrest, and less demand for commodities which could flip the world back into crisis. However if growth is too fast, then inflation and asset price bubbles are possible – city property prices in China increased at 8% last year. China's reserves increased to a staggering \$2,400bn last year, so China is a major source of liquidity in the global economy. If China overacts in its reduction of liquidity, demand (and price) for commodities will fall, and there may be greater impact / consequences for the rest of the world.

The London Holiday Inn is offering a new service – human bed-warming. A member of staff wearing a hair net and all-in-one fleece sleeper suit over his/her clothes will warm your bed to 20 degrees. I can foresee a problem if a businessman finds a girl asleep in his bed! It was much the same for 18th century travellers. The lower class generally shared a bed at an Inn, to keep warm and to reduce costs. The upper class travelled with a pig. The pig was put into bed before dinner, and then evicted at bedtime. The pig not only warmed the bed, but fed the bedbugs - ensuring an undisturbed night.



Regards

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