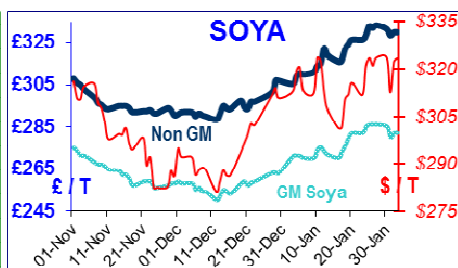
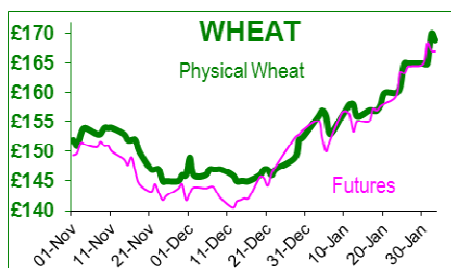
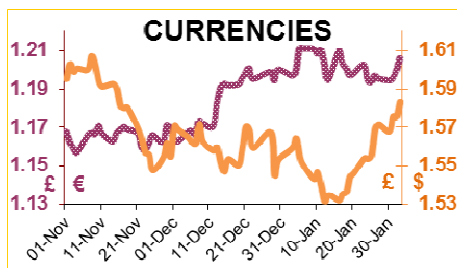




Humphrey Feeds Weekly Commodity Report w/e 3-2-12



It finally rained in South America. Investors believe it came too late to bolster maize yields, but will be beneficial to soya. So soya fell on Monday, and maize remained steady. Concerns are building about the ability of cereals in the Russian and FSU states to withstand the cold temperatures. As Black Sea wheat supplies are drying up, the EU is taking up the slack by exporting to North African countries. But most of these countries have wheat stockpiles, and the Egyptian wheat harvest starts in April. Russia says it has plenty of snow cover to protect its wheat, despite recent scary rumours. Confirmation was given that Russian grain export duties are being discussed, and a possible announcement is expected shortly, but they are no longer price competitive and are struggling to fulfil existing sales, and it has already shipped 20mt of its 24mt so it is relevant anyway? But the markets thought so, and May wheat futures prices shot up, having opened on Monday at £166 and hit £172 on Wednesday. Kazakhstan exported 1.3mt wheat in December (0.6mt last year). Australia has experienced two record successive wheat harvests of about 28mt each, so its carryover this season will be 10mt (9mt last year). Eastern Australia has more feed wheat to export due to heavy rains during harvest.

A previously reported India has had difficulty in storing its massive agricultural crop, and resorted to covering thousands of tonnes under tarpaulins. The penny has dropped, and it is now becoming an agricultural exporter of maize and soya to South East Asia. It has a \$20/t advantage over South America in terms of lower prices and transport costs. It is estimated it will be a net exporter of 5mt soya and 3mt maize this year mainly to Japan and Vietnam. However China has just rejected some Indian cargoes of soya because of contamination with malachite green (an unapproved antibacterial). The Baltic Exchange sea freight index is viewed as a lifeblood health barometer of the of the world commodities markets; it hit a 25-year low on Wednesday. US maize exports are 6% down on last year, wheat is 24% down and soya beans 31% lower. For the purposes of comparison on Thursday afternoon, UK May wheat futures were £166, Matif £179, and CBOT £156.

Ethanol production margins are negative with losses in the region of \$0.10-0.20/gallon, and stocks are at 21mb, 11% higher than last year and the highest in history; gasoline consumption is 3% less than last year. A recent paper entitled: 'The Food Crises: A Quantitative Model of Food Prices Including Speculators and Ethanol Conversion' recently presented by the New England Complex Systems Institute, explains why we have had two food price spikes in the past 5 years. It shows that food-to-fuel bioethanol production and trend-following speculators have caused the problem. We all knew it, now we can prove it. <http://neeci.edu/research/social/foodprices.html>

The Eurozone crisis continues to exert a negative tone. Spain and Italy's 10-year bond yields remained below the critical 7% level last week at 5% and 6% respectively. Poor Portugal's yields hit 17%, leading some analysts to suggest that once Greece has negotiated its haircut, Portugal will want to do the same. Some are suggesting that a reverse EU Exchange Rate Mechanism (ERM) might be used to conduct an orderly transition back to their original currencies. Lloyds Bank believes that up to €1-3 trillion will be needed to put 'an effective firewall around Italy and Spain'.

For years, it has been said that Geography is not a strong subject for our American cousins. In a 2005 National Geographic survey of Americans aged 18-24, ten percent could not identify America on a world map, and 50% could not locate New York on a map of the USA. Last Sunday CNN broadcast to 210 countries, a news story about the Sun phone-hacking, where London was relocated to Norfolk and Cornwall became a city. In November last year CNN relocated Cannes (in France) to northern Spain.



Regards

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