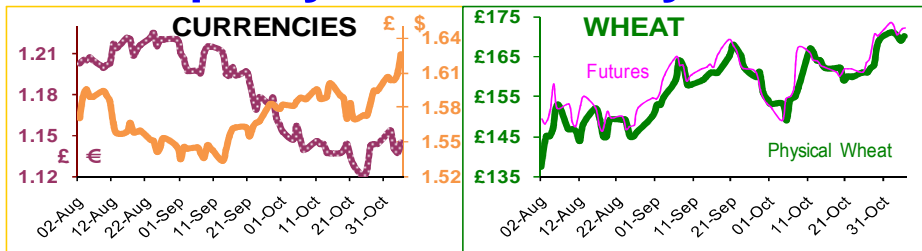


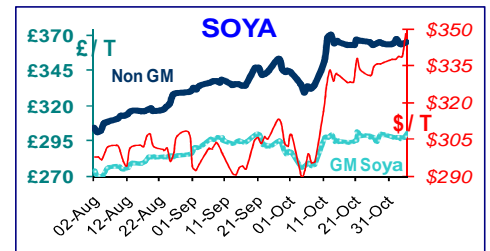


Humphrey Feeds Weekly Commodity Report w/e 5-11-10



This week is a vegan-week, rather than meat-&-potatoes like last week. This week everyone is distracted by currency, QE2 and US elections. Next week its back to meat-and-potatoes as the USDA unleashes it crop report – the feed trade are hoping for the best, and are expecting the worst.

Forget the past and current problems, now the trade is worried about what may happen next. Concerns about 'persistent dryness' in the US and Russia (getting that itchy feeling?) which could reduce next year's crops, particularly the winter wheat crop; and has already pushed prices up by about 10%. A similar condition afflicts Brazil, where rainfall has been 30% below average for the last 3 months; and also in Western Australia. What are the forecasts for world wheat and soya use and supply? What is the state of the US harvest? At what rate is US soya being exported? Next week's (Nov 9th) USDA supply and demand report will dictate the market direction for the next 6 months; they will either admit to having made a mistake, or reaffirm their previous statements. As previously noted, the US harvest is much more in advance than normal (96% complete vs normal 80%), so their data should be more factual than indicative. I do not mind the odd flutter, but guessing the outcome on this game is more like Russian roulette, so all bets are off.



Currency cannot be ignored – in mid-May the £1 was worth \$1.43, almost 6 months later it is \$1.63. So rising soya prices have been tempered by currency. Currency wars continue, and the US recognises that devaluing its currency could help its economic recovery. As the size of US QE2 becomes apparent, the likelihood is that the \$ will continue to weaken against the £, so where currency be in the first quarter next year? And where will soya prices be at that time? It would appear that current soya prices may be artificially depressed by the sheer quantity of soya that has been imported in the EU, and by the shippers requirement to reduce stocks. Will hedge funds buy more commodities as a hedge against inflation? Am I a raw material buyer, or probability statistician?

GM & NonGM continue to confuse, three out of four NonGM soya suppliers have run out of, and new supplies from the Brazilian new crop are a long way away in Spring of next year, but at least one supplier is now offering Non GM into next summer, but how 'clean' is it, and will there be enough for everyone? The EU exported has 8.1mt this season, up 36% on last year; with about 21mt total to export. The Ensus biofuel plant will convert 1.2mt wheat into 400m litres of bio-ethanol, 350,000t of distillers' grains and 300,000t of carbon dioxide. So wheat makes petrol, feeds cattle, and fizzes in soft drinks! Trying to understand these volatile markets can feel like walking a tightrope, one slip and..... However, someone in Thailand has trained an elephant to walk across a tightrope (well two actually). As a result this has become rather popular with tourists visiting Safari World near Bangkok. Maybe the elephant will have more luck with these markets too?



Regards
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