

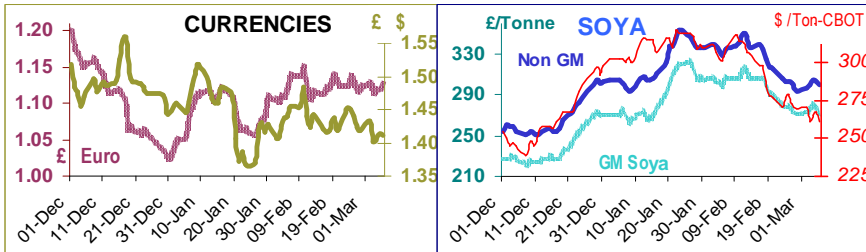


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## WEEKLY COMMODITY REPORT W/E 6-3-9



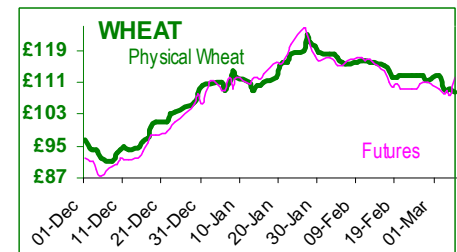
Apparently the IMF believes the world banking system needs another \$500bn. The chief economist at UBS Investment bank believes the final figure could be twice this, as creeping nationalisation is 'another half-step whilst failing to address the problem of insufficient capital in the banks'. Will pension funds rescued by the

world? Banks are penniless, and governments have borrowed and lent trillions, some are bankrupt but do not know it! The worlds pension funds have £22,000bn (£22 trillion) to invest, and may help to create financial liquidity by lending to the large corporates.

It seems unlikely that there will be an end anytime soon to the current levels of volatility; we noted a conference this week on how to use commodities as a hedge against inflation, because people need to eat 2,750 calories per day, so agriculture is recession-proof. Fed up with volatile commodities, Venezuela has taken a novel approach to combat high prices and inflation which is in excess of 30%; it has despatched government officials and the National Guard to monitor the operations of rice factories to ensure that 60% of rice is sold at regulated prices, rather than the 10% the government alleges. The government already controls milk processing, oil refineries, cement works and a bank.

UK feed wheat is not competitive against Russian wheat, particularly as they still have 7-8mt to export before their harvest in June/July. DEFRA state UK plantings are down 14%. So the trade believe old crop prices may fall, and that new crop has more upside than down. French wheat prices have fallen relative to UK prices, so the differential has fallen from £30 last August to £15 (March).

The IGC has revised 2008 world wheat production up to 688mt, 13% up on 2007. Demand is estimated at 645mt, giving end-stocks of 157mt. Wheat production for 2009 was lowered by 1% to 649mt. Apparently the Black Sea is planting more wheat this year. We expressed our puzzlement that the Chinese were playing up their drought (which the USDA now says is over). All was revealed this week as China announced a \$26bn support program to support its economy; with \$17.5bn to be spent increasing the price of wheat by 13%. Now that is clever.



There just had to be a better use for grass cuttings than compost! Turn your weekend mowing chore into moonshine. Add some enzymes to convert cellulose and hemi-cellulose into glucose and pentose; ferment them into ethanol; a small distillation process and Saturday night is Happy night. BP is about to do this on an industrial scale (\$300m) in Louisiana – using human-indigestible grass instead of maize in a cellulosic process. Grass is cheaper than maize, and less subject (at the moment) to commodity volatility.

A new species of tree was identified in the 1930's in a lay-by near Lynton, Devon. The tree is a Whitebeam which can produce local varieties, sometimes restricted to a handful of specimens in a very small area. This whitebeam has been officially named as 'No Parking' after a sign that was once nailed to its trunk. [Presumably pre-lay-by?]. So for budding (!) botanists:

Kingdom:	<i>Plantae</i> ;	Family:	<i>Rosaceae</i>
Phylum:	<i>Anthophyta</i> ;	Genus:	<i>Sorbus</i> ;
Class:	<i>Magnoliopsida</i> ;	Variety:	<i>No Parking</i> .
Order:	<i>Rosales</i> ;		



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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