

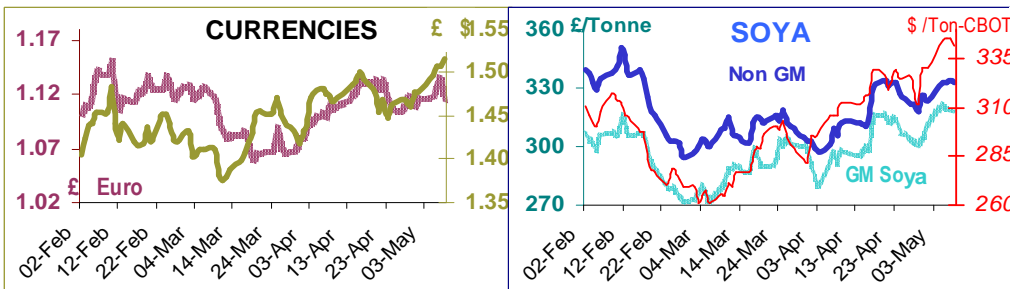


HUMPHREY FEEDS



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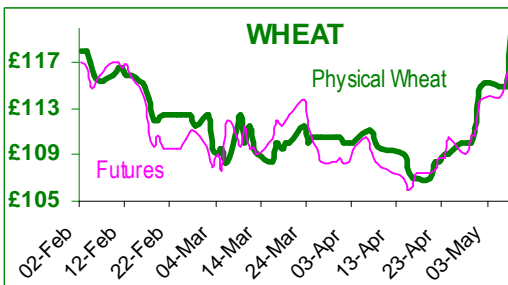
WEEKLY COMMODITY REPORT W/E 8-5-9



Currency - £/\$ broke through \$1.50 for the first time since January; more to do with \$ weakness than £ strength. Unfortunately this tends to lead investors to focus more on commodities.

Soya hit a 7-month high at

\$11.16 on Thursday and I can hear the US bulls chanting 'Beans in their teens'. Warren Buffet announced that inflation is returning to commodities, and that the Dollar will be worth less in the future. Fund managers are starting to take notice. There is still concern for the Argentinean crop, and trade estimates are nearer 30mt than the USDA's 39mt. The Brazilian harvest is also said to be lighter than expected at 57mt (60mt last year). Chinese demand for US and South American soya remains undiminished although there were rumours this week that China wanted to cancel 0.3mt of US beans and delay shipment of 0.5mt to next month. Crude oil is around \$56/barrel, a long way from the \$34/barrel in mid-May, so soyabean also received a leg-up from the soya oil and energy markets. Freight costs are still very low, so the only way for them to go is up. Non-GM Hipro is currently £335-340/T delivered to the mill, and despite being at these astronomic levels, any major upset in the supply chain has the potential to set this market on fire. If I was a cynic, I would bet on Christina in Argentina to light the match to increase bean prices sufficiently to lessen the impact of her tax. Perhaps we should send special *Absolute* Ambassador 'Purdey' to sort her out?



In the current year to date, the low point for wheat futures was on the 16th April, when July wheat was £108.30, and November £116.35. The week ended with July futures at £117.50 and November at £128.50. The differential of £8-10 is still holding, and wheat futures have moved up £10 in the past three weeks. The market is very jittery, as it is too soon to say we have seen the bottom; or whether the market will head south again.

JPMorgan's agricultural report predicts that US wheat prices will be supported by falling production and rising export demand in

the short term, and warned of potential price spikes. According to Informa Economics, worldwide wheat production in 2009/10 will be 667.2 mt (683.3mt last year); worldwide maize production will be 792.2 (783.5mt last year); and global soya production will be 244.7mt (212.5mt last year). Avian flu alert: A smuggler from Vietnam was caught at Los Angeles airport with 13 songbirds wrapped in cloth and buttoned to his socks, with 18 more in his suitcase. A sharp eyed customs man spotted bird droppings on his shoes. The three red-whiskered bul-buls, four magpie robins and six shama thrush sell for \$10 each in Vietnam, and \$400 in the US. The birds have been quarantined and tested for avian flu.



Regards
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