

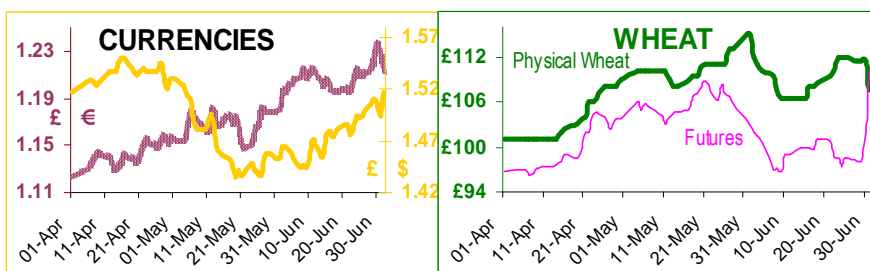


HUMPHREY FEEDS

WEEKLY COMMODITY REPORT W/E 2-7-10



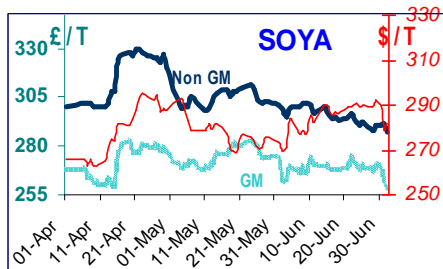
BY APPOINTMENT TO
HER MAJESTY THE QUEEN
MANUFACTURERS AND SUPPLIERS OF POULTRY FEEDS
HUMPHREY FEEDS LTD
WINCHESTER



This week started so quietly belying what was to follow. The change started on Wednesday morning when the Russians announced that their 2010 wheat crop would be revised down 5-7mt to 82-80mt (97mt last year) because of drought in the Volga and southern Urals, and that their exportable surplus (20mt previously expected) may have to be reduced; we believe that

Tatarstan (reach for your map book) has lost 1mln acres to drought and has declared a state of emergency, and the republic next door, Bashkortostan (you still have that map book open?), is in a similar position. The Russian plan to subsidise wheat exports to gain foreign currency may also have to be reviewed. Even Prime Minister Putin appears to have been briefed on the situation and announced a reduction in harvest estimates. In addition to last week's Canadian news of a similar 5mt reduction due to wet weather, we are also getting reports of poor wheat harvests in Hungary (poor bushel weights), and Western Australia (20% lower than last year). If the current heat wave continues, wheat yields may well be affected in the UK, Germany and Poland. So this week, wheat turned bullish, the London markets jumped from Tuesdays close at £104, to a Wednesday close of £107. Thursday opened at £108.45 and closed at £110.50. Friday closed at £111. So wheat moved up about £7/tonne this week. Ugh! (see the pink line showing Liffe wheat futures above to understand the extent of the price spike!)

The USDA did not help much this week, with their announcement that the 2010 US maize acreage was 87.872m acres (86.5ma last year). This was 926,000a lower than their March 31 estimate of 88.798ma, and about 1.5ma below average trade guesses! The dilemma is that this revised figure would still be the 2nd largest planting on record. Maize stocks on June 1st were 4.3bb, or 49mb above last year's 4.26bb, but still 300mb less than the trade expected. We believe that this may be the second lowest maize stocks –the lowest was in 2008 – and that

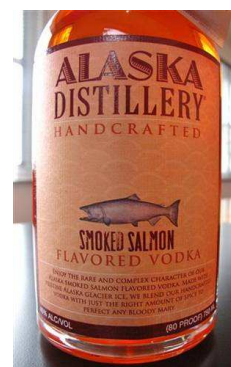


caused the worst commodity price spike of recent years. The USDA's estimates strain credibility, and are causing much debate: are they incompetent or just playing the market? Analysts' guesstimates are usually within 40-50mb, so a difference of 300mb raises questions. If the ethanol is increased in petrol from 10 to 15%, and the USDA figures are correct, then there may well be a shortage of maize.

The USDA predicted a soybean acreage at a record 78.868ma (77.5ma last year), some 770,000 higher than their March 31 estimate of 78.098m, and about 576,000 above trade guesses.

Following up on last weeks report on chicken wars, Russia will end its ban of US poultry meat under a new agreement. The US has agreed to publish information on the USDA website about Russian-approved methods to disinfect and remove pathogens from poultry and other foodstuffs. The US has also agreed to provide the Russians with information on the chemical cocktails used to clean poultry shipped to Russia, with a list of approved processors to export poultry to Russia.

With about 125 single men for every 100 single women in Alaska, there's not much else to do but drink alcohol and eat smoked salmon. So the Alaska Smoked Salmon Flavoured Vodka is uniquely Alaskan and the latest in carnivorous cocktails – a real Man's drink. It took the Wasilla distillery 48 attempts to find the right recipe, using local grain, local potatoes, glacier ice and smoked salmon. It is now selling faster than its competition – fruit flavoured and even a Russian garlic vodka.



Regards

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