

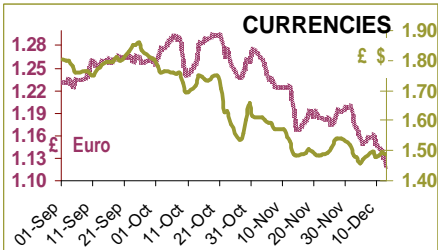


HUMPHREY FEEDS



BY APPOINTMENT TO  
HER MAJESTY THE QUEEN  
MANUFACTURERS AND SUPPLIERS OF POULTRY FEEDS  
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## WEEKLY COMMODITY REPORT W/E 12-12-8

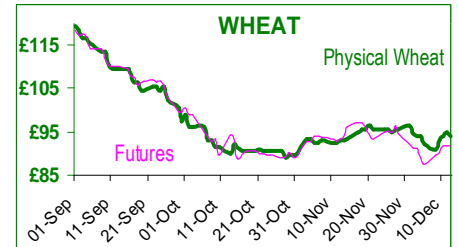


We seem to be moving back in time? Last week crude oil hit \$45/b – the lowest since Feb 2005. Similarly, house prices fell to levels last seen in July 2005. Bank lending rates have gone back to 1951. Freight costs are as cheap now as they were in 1986. Will lager hit 1975's 24p/pint again?

There are two prevailing views: that the five year commodity boom is pretty much over and that supply and demand are becoming more matched (eg the World Bank's report - Global Economic Prospects 2009: Commodity Markets at the Crossroads – published this week); and the

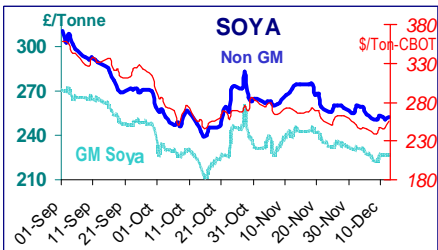
opposite view that this slide in commodity prices is just a downward cycle in a long-term bull run. In terms of food and energy, we tend to favour the latter theory, on the basis that the population is still growing and people need to eat, move and regulate their environmental temperature. The funds may be largely decimated, but the fundamentals still exist. The World Bank predicts an oil price of \$75/b next year; the Institute of International Finance predict \$56-\$65; Merrill Lynch predicts \$25/b. So if grain continues to follow oil ...

Wheat hit contract lows in CBOT, Matif and Liffe last week, and has recovered about £5/tonne since. The world is over-supplied with feed wheat, and some countries are exporting that have never previously appeared on the export radar eg Estonnea, Romania and Bulgaria. China produces about 156mt of maize and 105mt of wheat which it largely consumes internally; however it intends to export 4mt of maize in 2009.



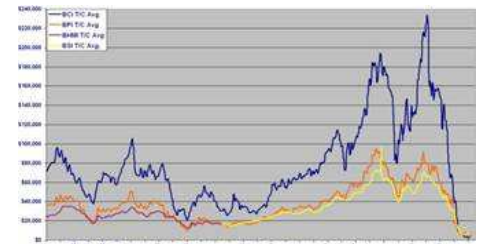
This weeks USDA report was bearish for wheat, and neutral for soya.

There are credit-crunch related problems in Brazil and Argentina. Farmers have borrowed money and invested in farming, but the banks are demanding a 40% reduction of their debt this year and if the farmer cannot pay, the banks will repossess farm machinery. Agribusinesses, who traditionally lend money to farmers, have been much more circumspect this year. As a result, Brazilian soya production and Argentine wheat production is expected to decline this year. [Brazil imports more than half



its wheat from Argentina]. Argentinean soya production is expected to increase this year, as it attracts less government interference—however the combination of events means that a lot more GM soya will be grown this year than GM-free. Argentine soya stocks already stand at 12mt, due to the recent strikes.

The fall in trade has lead to a fall in shipping rates, as the Baltic Dry Index demonstrates. However, the slowdown in container traffic is threatening the world's biggest container shipping company, Maersk Line. Despite cutting its rates, it plans to anchor eight ships (6,500 container capacity each) in the Far East for the next 6-8 months. In all, the industry has 135 idle container ships. The major problem of a recession is the structural damage it can do to an industry on the way down.



Grandma Catherine Roots in Dorchester received a Heckler & Koch submachine gun by special delivery. Apparently a postcode error misdirected the parcel to her instead of Dorset police HQ. Police claimed it was a 'realistic training gun that fires infra-red beams, not bullets', and so it was not a crime to send it by courier.

Regards

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