

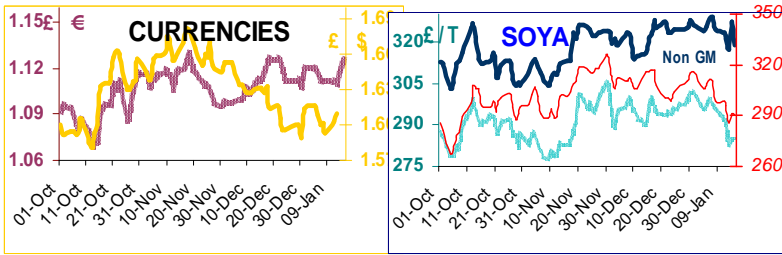


HUMPHREY FEEDS

# WEEKLY COMMODITY REPORT W/E 15-1-10



BY APPOINTMENT TO  
HER MAJESTY THE QUEEN  
MANUFACTURERS AND SUPPLIERS OF POULTRY FEEDS  
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The USDA announced its crop data on Tuesday – the US produced more soya and maize than expected, and had larger stocks of maize and wheat than expected. All the CBOT grains – maize, wheat and soya reacted violently to this bearish news, and all were 'limit down' (as low as is allowed in one trading day – yes there are limits to prevent markets from over-reacting!). But in typical USDA pantomime fashion – were the figures correct? Oh yes they are

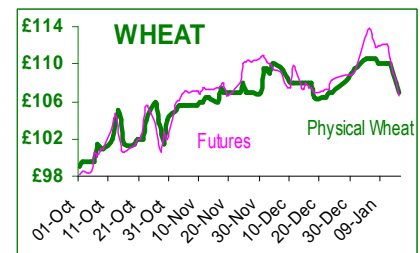
not! The consolation prize for the bulls was that the US wheat plantings are said to be the lowest since 1913 – some 6.2 million acres has gone 'missing' (Wales has 5.1ma). So the implication is that a wheat area the size of Wales has switched to maize and soya. Sensibly, the USDA has decided to re-survey several states in March. It is possible to analyse the USDA figures to the *n*th degree – but if the data is dodgy – there is no point. The market is scared and it is selling – that is the only pertinent fact. The funds responded and sold 8000 wheat, 15,000 maize, and 12,000 soya contracts. Whether this has scared the funds sufficiently to avoid commodities, or whether new funds will view this drop as a buying opportunity – only time will tell, but the next day prices bounced halfway back.

Talking of dodgy data – the EU Central Bank is said to be furious that Greece has been supplying them with falsified data – their financial position is actually much worse than previously disclosed. If Greece defaulted on its loans, then another tremor in the current financial crisis could ensue; with consequent knock-on effects on commodities. Anatole Kaletsky, the well-respected economic commentator, has been writing in the Times for 20 years; and on Jan 11th laid out his forecast for 2010. He expects the \$ to be the strongest world currency, and the € to be the weakest. Financial pressures will test Greece, Ireland, Portugal, Spain and Central Europe to breaking-point. Britain's recovery will be slow, the £ will appreciate, and interest rates should stay below 2% for the next 5 years. If he is right, and he has a pretty good track record – then imported raw materials will become more expensive, as international trade is conducted in \$; and UK wheat may be difficult to export against a cheap €; and will Spain and Portugal be able to afford to import as much wheat as in recent times? [Spain currently has 20% unemployment].

The US feared that China was turning its attention to South America to source its soya, but now hopes that this week's price fall has been sufficient to maintain China's attention. South American premiums have increased by about \$10/ton to maintain the differential from CBOT. Therefore US imported soya is still the cheapest source and is now much cheaper than China's domestic production. Shanghai's crushing margins on imported soybeans are now \$75/t (only \$25 last November), hence the recent buying binge. Margins on domestic soya have fallen by \$55/t to zero in the past four weeks, thus it looks as if China will continue to import beans in the near term. Given a clear wind, it is possible that the three major producers of soya (US, Brazil & Argentina) will simultaneously have record crops this year.

UK January wheat futures have been lacklustre with very little trade. Spot physical prices are in the region of £107 delivered to the mill, and weakening. NonGM Hipro soya is about £315 ex port, and supplies are tight.

Biofuel2 ? If wheat is fermented to produce bioethanol; and the waste product – wheat distillers grains are burned in a power station. And if the energy from the power station provides the heat to ferment more wheat ... does that mean the original wheat provides twice as much energy, or do they cancel each other out? Why not burn wheat in the first place? Reminds me of 'Beggars make rags, Rags make paper, Paper makes money, Money make banks, Banks make loans, Loans make beggars'.



Talking of money, and thinking about the current scarcity of salt: the remuneration of a Roman soldier included an element to pay for salt (salarium), hence the modern day 'salary'. The word soldier is supposed to be derived from the gold coins (solidus) with which the Roman soldiers were paid.

Regards  
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