

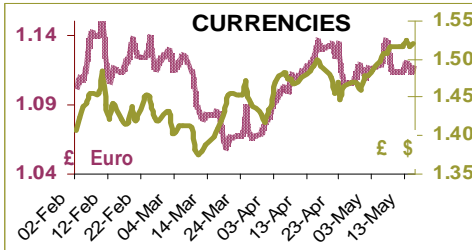


HUMPHREY FEEDS



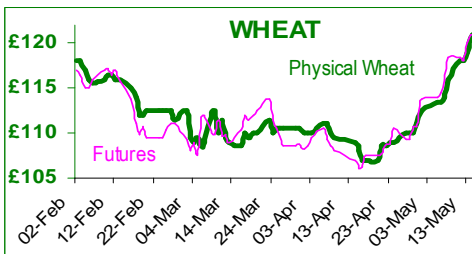
BY APPOINTMENT TO
HER MAJESTY THE QUEEN
MANUFACTURERS AND SUPPLIERS OF POULTRY FEEDS
HUMPHREY FEEDS LTD
WINCHESTER

WEEKLY COMMODITY REPORT W/E 15-5-9



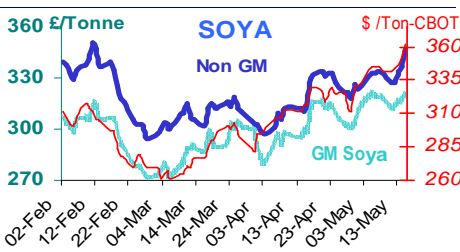
Oil stocks were the highest for almost 20 years and yet prices hit \$60/b for the first time in six months - 85% up from \$32/b in February. Sugar hit a 3-year high, tin hit a 6-month high, maize hit a 4-month high and wheat reached the highest price since January. China is importing again: soya; iron ore, copper and oil – stockpiling whilst prices are low. The pension funds have recently come to the fore with an interest in investing in commodities.

The USDA figures came out this week, and on the face of it were relatively neutral. However depending on whether you view your glass half full or half empty, there were enough figures to fuel both bullish and bearish sentiments. Two figures that did sparkle (potential rising stars) were maize stocks which would fall to the lowest levels in 15 years (to 1.1mb); and soya stocks would fall to two weeks consumption – the lowest in 5 years. The FT announced 'Food prices on the rise as corn and soya stocks fall'.



Wheat. In the month 15th April to 15th May, old crop July futures moved from £109 to £121, new crop November futures wheat has lifted from £117 to 130. B-Obama has given his support to the use of maize to make biofuel, but is skewing investment towards the use of cellulosic fermentation using maize stalks and leaves, rather than maize starch. If maize continues to be the driver for the worlds cereal prices, then maize prices have lifted from \$3.80/b to \$4.30/b in the past 2 weeks (13%), so in the same period, July wheat has moved from £112 to £121 (8%), not perfect correlation but certainly indicative. Crude oil has also moved in the

2 weeks from \$51 to \$59 per barrel (15%). If that was not enough, increasing numbers of UK farmers and traders appear to be willing to roll this year's wheat harvest into next – to take advantage of higher prices and for some it is prudent tax planning. With few sellers, only a small number of buyers were needed to push the market higher.



Soya. In mid February GM-free Hipro soya was £272 ex port, today it is approx £345, a movement of £70/ton. The primary reasons include Argentina harvest, China buying, US stocks, weather and planting area. A secondary, and local reason, is that UK buyers have not seen many opportunities to buy soya forward for this summer, so the importers have had to be cautious with their shipping programmes, so are short. Many UK feed compounders appear to have some cover for June-July, but little from August onwards. China's stimulus package (\$586bn) seems to be working, and their retail sales rose 15% this April compared to last. China is

investing in infrastructure: bridges, roads, railways, oil pipelines, irrigation and their stocks of maize and soya. The government has purchased about 7.5mt of domestic soya for storage (about 50% of their harvest), so crushers are having to import like crazy.

Effects of the credit crunch? Globally, seed sales are down because farmers lack short-term credit, which will lead to less food worldwide. For some industries, the crunch may result in structural destruction of the supply chain. In the US there may be trouble ahead ... people are buying more seeds, chickens and ammunition.

Gordon Brown has allegedly claimed £5,000 in expenses for a new moral compass 'cos the one he was using was broken. A geomagnetic lodestone belonging to the Olmec – a pre Columbian people who lived in Mexico from 1400 to 400BC – may indicate the earliest use of magnetism as a direction finder. The earliest written reference to lodestones for use in land navigation is a 4th century BC Chinese book - the Devil Valley Master. [I didn't know that Gordon was a vet?]



Regards
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