

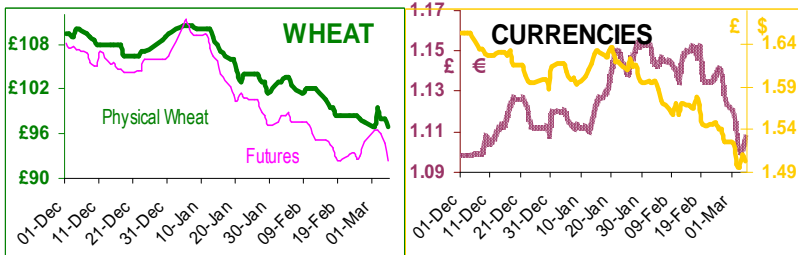


HUMPHREY FEEDS

WEEKLY COMMODITY REPORT W/E 5-3-10



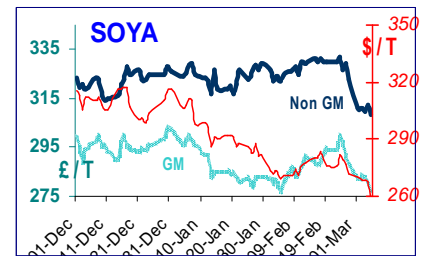
BY APPOINTMENT TO
HER MAJESTY THE QUEEN
MANUFACTURERS AND SUPPLIERS OF POULTRY FEEDS
HUMPHREY FEEDS LTD
WINCHESTER



The wheat market has been volatile this week, initially following currency, jumping from a floor of £92 to £98 (March futures) and is now £95-ish. Physical prices have not changed much, so arable farmers are not interested in selling wheat at £88 ex farm. Most feed compounders are using as much barley as they can, and buying wheat hand-to-mouth. Sterling is now so weak, that it should be possible for our surplus wheat to be exported – customers

permitting! As 90% of global wheat is in the northern hemisphere and planted, and as conditions are good, another record year is predicted. The USDA believes 2009/10 world wheat production to be 677mt (682mt last year). US wheat ending stocks for 2010/11 will be 82mt – a 10-year high. The IGC believe next year's tonnage will be 653mt – although lower than the previous two years, still the third highest level ever. Strategie Grains expect the EU-27 wheat crop to be 135mt this year (130mt last year). Worldwide stocks will be high and exports slow. The UK exported 1mt by the end of December. The US has planted less wheat and more maize this year, so there will be less competition for EU wheat exports. However the demand for US maize (food and biofuel) is high, so maize stocks, fund activity and currency are likely to be the cereal drivers for the rest of this year.

The folks who bet on the price of soya are worried that the USDA may announce (on March 10th) that US soya stocks may be much lower than expected, so will be looking to cover any short positions. Expect some volatility next week. Talking of currency and volatility - the FTSE hit a bottom at 3500 a year ago this week, and despite the huge UK debt burden is now above 5500, an increase of 2000 points or 57% in one year. However, the FTSE was previously at 5500 in Aug 2008 – mid credit-crunch, and previous to that in November 2005.



The GM tsunami continues to sweep the world. The International Service for the Acquisition of Agribiotech Applications (ISAAA) say that the global GM planted area increased by 7% in 2009. Soya: 77% of the 90mha is GM; cotton 49% of 33mha; maize 26% of 158mha; rape 21% of 31mha. In 25 countries, 14m farmers grew 134mha of GM crops. The biggest GM country is the US, followed in order by Brazil, Argentina, India, Canada, China, Paraguay and South Africa. Guess where most of our NonGM soya comes from? [Brazil]. Guess where most of our organic soya comes from? [China]. Ugh! Eurostat report that the EU-27's organic planted area has also increased by 7% to 7.8mha (2008), which comprises 4.1% of the total agricultural area.

Drax, the UK's largest power station, is considering burning coal instead of biomass. Despite investing £80m to burn biomass with coal, electricity costs £41/MWatt from biomass and only £31/MWatt from coal. The difference makes it cost-effective to burn coal and buy carbon credits. If they carry out their threat, what happens to all the biofuel wheat distillers grains? Rapeseed meal is now in short supply and £60/ton more than at the start of the year – could that be anything to do with Drax having burned 2,500 tonne of it?

Manor houses in the 13th and 14th centuries were often fortified with a moat and a gatehouse (see Baddesley Clinton right). The really well-to-do also applied for a license to crenellate their houses (with



castle-like battlements); and 400 licenses were issued, peaking just before the Black Death in the mid 14th century. All this was more to do with status and wealth, rather than defence. So after 650 years it is refreshing that our [rich] colonial cousins have learned the lessons of [our] medieval history – on 'how to deter unwelcome guests'. The new US embassy in London – estimated cost \$1bn – will feature a 30m moat.



Regards

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