

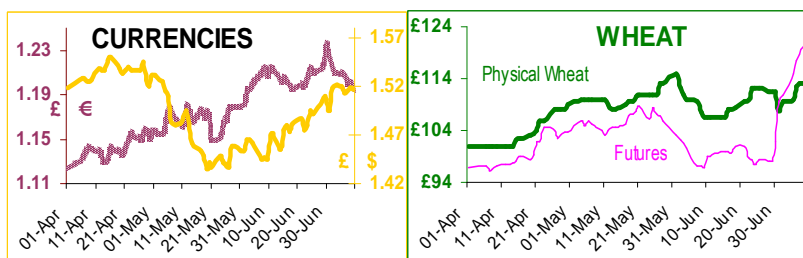


HUMPHREY FEEDS

# WEEKLY COMMODITY REPORT W/E 9-7-10



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



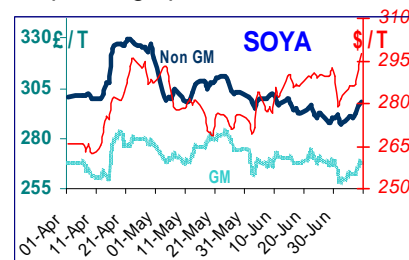
A dry Glastonbury and a dry Wimbledon – something is up! No rain! Spring was a month late, and sustained warm weather is impairing crops. Gardens are brown a month early and there is no grass to speak of, and whilst it affects free range poultry, it is a disaster for sheep and cattle farmers-but a boon to ruminant feed mills, who are busy making summer grazing nuts, using up more cereals and by-products than anticipated. Wheatfeed prices are about £30/tonne more than usual

for the time of year, and the winter run is £25/tonne more than last year, but this is partly due to biomass burning. So feed costs are high (and in a fair world this *should* make food costs more expensive too) because government subsidies distort/create markets to burn foodstuffs! November wheat futures closed at £111 last Friday, just as the Americans left work to celebrate July 4th, so were absent on Monday. On Monday, Nov wheat futures hit £115 within 2 hours of trade commencing. The reason is fear: covering shorts; floods in Eastern Europe; and fear that sun-scorched EU wheat yields may suffer. Tuesday opened at £117, then hit £120 before closing at £117.45, and ended the week at £121.50! EU wheat futures hit 12-month highs this week as speculators came into the market to take advantage of fears of the size of the current harvest. The Russians having already lost 5mt of wheat are now worried about further losses this week from a hot, dry wind known as a 'sukhovei' which blows in from the east and hits south Russian steppe and can wither crops in a few hours. The French farm ministry reduced its wheat crop estimates by 2.5% to 35,6mt. The price rises in the futures markets reflect sentiment, not necessarily reality, so caution is advised.

In the global financial world, in the face of poor economic news and data there is more speculation about a double dip. For the uninitiated, a double dip means that you can lose your shirt twice. In the Eurozone last Thursday, €442bn of financial liquidity injected by the ECB fell due for repayment by the banks. It was feared that some banks would be unable to do so, and the € fell. However all the banks paid and relief was palpable on Friday; and traders became bullish after the weekend. However 78 banks had to seek emergency funding to see them through the six days after the repayment of the 1-year ECB loans to the issue of the 3-month bonds. So the market is still fragile.

One of the financial gurus, Chris Watling, recently gave his views on the markets. He believes that equities are still in bull mode, and described all bull markets in three phases. Initially all the bad news is priced-in and that a recovery is due, so phase starts as prices rise – typically accounting for 40% of the entire bull run with a median duration of 11 months. Phase two starts as markets anticipate the beginning of a monetary tightening cycle and typically lasts a few months. The third phase, a resumption of rising prices, can last as long as five to six years depending upon the longevity of the economic cycle.

Old crop US soya stocks remain quiet tight. The new soyabean crop should be another record, so three records in a row - US, South America and US again. World soybeans stocks should grow as production appears to be outstripping demand. The US harvest starts in August so we have a weather market in soya too. Hopefully, we should see lower soya prices this autumn. On Friday, the USDA made one of their monthly pronouncements on the size of world-wide crops and the export activity that has taken place in the last month, and envisaged to take place in the next year. Whilst the views are increasingly erratic and traders increasingly make their own calculations, the announcements can change markets, and on Friday we saw figures which made the market for soyabeans lift – and just when the trade was expecting soya prices to trend down.



Avian birth control? Pigeons in the urban environment are a pest; and shooting them is not a practical option. A US company is marketing a feed that contains OvoControl P (nicarbazin) which prevents eggs from being fertilized. Automatic battery-operated feed dispensers costing \$2,300 distribute feed once per day in the early morning. The aim is to reduce the pigeon population in half within a year.

Regards

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