

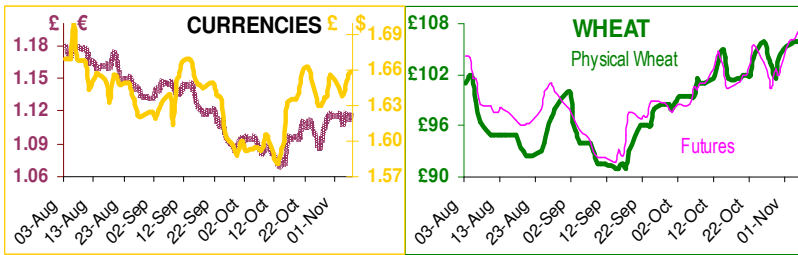


HUMPHREY FEEDS

# WEEKLY COMMODITY REPORT W/E 6-11-9



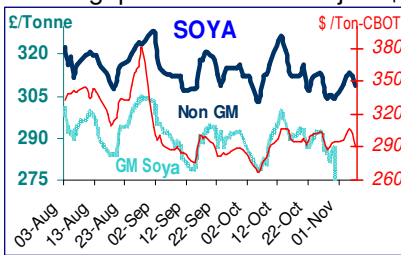
BY APPOINTMENT TO  
HER MAJESTY THE QUEEN  
MANUFACTURERS AND SUPPLIERS OF POULTRY FEEDS  
HUMPHREY FEEDS LTD  
WINCHESTER



This week the differential between barley and wheat has been £17/tonne, wheat at £104 delivered, and Barley £87. So if one assumes a normal differential of £8-12/tonne, then either barley is too cheap, or wheat is too expensive. Either way, ruminant feed compounders will be using a lot of barley instead of wheat, therefore adding to the UK wheat surplus. Wheat proteins from this harvest are just as poor as last year – at about 10% protein (instead of a more

normal 11%). This means that we have to use more soya, lysine and methionine to make up the difference. Supplies of both lysine and methionine are tight, due to a factory shutdown in the summer, so prices are currently high but should relax in Q1 next year, depending on soya's price and availability. Vitamin D3 is also in short supply which affects all diets, and there are indications that Vitamins B2 and Pantothenic acid may be more expensive next year affecting breeder diets. Copper and Zinc prices are extremely volatile as they are traded on the metals exchange, and there is currently a shortage of ore to produce Manganese.

The view of the UK trade is that circa 850,000 tonne of wheat will have quietly slipped out of the country by the end of the year, still leaving over 1.5 million tonne to be exported. Black sea origins remain the cheapest source of wheat, but the gap has narrowed to just \$5, although Danish exporting prices are similar to UK



US soya harvest predicted to be 90.7mt (Informa) and 88.46mt (USDA last report). In theory, this near record crop should lead to lower prices, but in practice the high yields have already been factored in, and the funds are looking to invest in commodities, as illustrated by crude oil which is now over \$80/b. The old adage 'big crops big prices' may well apply this year. The USDA has another chance to put a cat amongst the chickens next Tuesday with its latest report/guess. The GM situation is that three maize varieties were approved last Friday, and the fourth variety (Syngenta's rootworm resistant) should be approved in December. We should then have the freedom to import soya and maize from the US, possibly without silly over-hyped prices, until

October 2010 when a tsunami of new GM varieties arrives.

There seems to be a secret but growing fear that the US \$ may collapse. The symptoms expressed this week: India bought 200 tonne of gold for \$6.7bn (£4.08bn); Buffet spent \$26bn buying a 32,000mile US rail network; China continues its strategy of buying commodities. The background is that the \$ became a dominant and global currency, and central banks in countries around the world held \$s to stabilise their own currencies. In effect, this gave the US unlimited credit, so over the past 20 years the US debt has risen to \$45tn (\$600,000/household); and the US needs to be 'loaned' \$800bn/annum (by countries buying treasury bonds etc) to finance this debt. One could argue about the solvency of the US, but at some time, countries could cease buying US treasury bonds and buy gold, oil or other commodities instead. If and when this happens, the \$ will be worth much less, US interest rates will rise, and we may see a second US housing price collapse. A W-shaped recession then?



According to Hassan Aden, courtship in Mogadishu (Somalia) was different 40 years ago. Then you gave the girl's parents 11 camels and an AK-47 assault rifle as the bride price and then waited respectfully. Now, the advent of the mobile phone allows people to make contact directly and has resulted in a wave of elopements and unwanted pregnancies. Poverty today has reduced the bride price to \$50 and a copy of the holy Koran; but it is more common to have a 'Qudbasiro' free-of-charge secret marriage. One unemployed secondary school graduate boasted that he had divorced nine women already. 'Voluntary brides and cheap phone services - it is the only life we have'. Needless to say, mobile phone sales are booming. [Reuters].

Regards

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