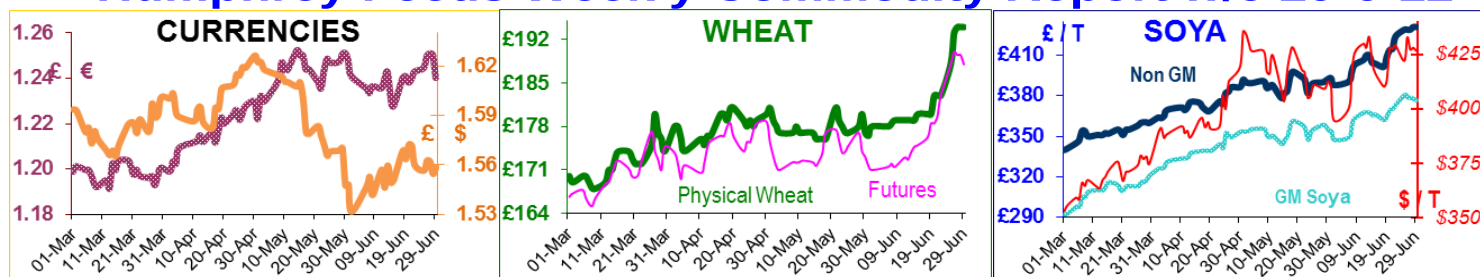




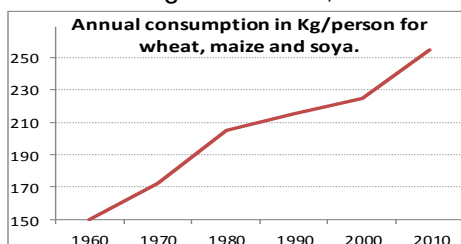
Humphrey Feeds Weekly Commodity Report w/e 29-6-12



We are firmly in the grip of a weather market – with reports being issued almost daily from the US, Russia and the Ukraine. The El Nino story is growing in credibility, with weather forecasters looking for evidence of a poor south-west monsoon in India, droughts in Australia, and heavy rains in South America. UK July futures wheat hit £190 (£7 up on last Friday's close) but was £2 lower by the end of this week, and November ended on its high of £171, nearly £10 up on the week. Non-GM soya and GM soya were £423 and £366 respectively ex-port. These values are close to their all-time highs, and yet the fundamentals are still bullish! It is just not possible to make sense in these markets and we hope that things settle down by mid-July (for reasons stated in last week's newsletter). Therefore we have produced a slightly different newsletter this week.

On August 6th 2010 we wrote As a buyer, you know you're in trouble when you read about your own markets in the press. 'Fastest rise in wheat prices since 1973' blared the FT on Tuesday, explaining that we have seen the biggest one-month jump in more than three decades. Wheat had hit £158, but in the event, it kept rising and eventually hit a peak of around £217 in May 2011. Then this week, the headline in the Sunday Times (26th June) was Is it time to get back into commodities? China was cited as being 'likely to help the price of agricultural commodities' and Barclay's Wealth recommended 'soya' as a buy. So where will soya prices end up in spring next year? Place your bets now.

This recommendation is probably based the fact that China's demand for soya has been growing over the past 20 years, and now requires about 57mt soya per annum. The chart below was recently issued by one of the grain trading companies, showing that globally, people are eating better (as indicated by the kilos of wheat, maize and soya = more carbohydrate and probably more meat). Long term this trend is likely to be true, so potentially of benefit for the long-term investor. In the short-term, it would appear that China has sufficient pork in its pipeline. Having stimulated pork production by subsidies, China put excess pork into its refrigerator. It would appear that the fridge is now full, and China has asked its pig farmers to cut back on production.



A 2009 FAO report shows that China has now reached per capita consumption levels of meat that are very close to levels enjoyed by Developed countries. China's consumption of eggs, exceeds that of Developed countries. Any further increases are more likely to be due to changes in population, than by improving

diet. However the table below shows that India has the greatest potential demand for meat (and therefore soya), so is China already close to its peak demand, and that the baton is due to be carried by India?

KG consumed per capita per year consumption of meat and eggs, 1980 and 2005.

COUNTRY	MEAT		% Change	EGGS		% Change
	1980	2005		1980	2005	
DEVELOPED COUNTRIES	76	82	8	14	13	-9
DEVELOPING COUNTRIES	14	31	119	3	8	220
East and South East Asia	13	48	277	3	15	470
China	14	60	334	3	20	708
Latin America & Caribbean	41	62	51	6	9	39
Brazil	41	81	97	6	7	21
South Asia	4	6	38	1	2	113
India	4	5	38	1	2	157
Near East & N Africa	18	27	53	4	6	70
Sub-Saharan Africa	14	13	-8	2	2	0
WORLD	30	41	37	6	9	64

The State of Food and Agriculture, FAO, 2009

Want to understand European debt? Watch: <http://www.youtube.com/watch?v=JQ4p2357uTo>

Regards

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