

Weekly report --Aug 04, 2012



Hammersmith Marketing Ltd - Grain Trading

WEEKLY FEED GRAIN AND PROTEIN REPORT August 04, 2012

(a Bahamas Corporation)

SECTION 1: FEED GRAINS -- VEGETABLE AND ANIMAL PROTEIN

Corn was up again this week but not as much as previous weeks with increase from USD 5 m/t for September to USD 10 m/t for early 2013 shipment. As with most recent weeks we have strong up and down days during the week with negative weather forecasts pushing prices higher while a little rain moved things lower. The very large purchase of corn by Mexico also added some strength to the market although the purchases are spread over this year and next.

With the USDA report coming out next week there are quite a few nervous traders in the market but the general comments of market experts are that yields will have to be lowered by the USDA and prices should remain strong. Of course if any downward adjustment of yields is not as great as the experts felt it should be then we could have a sell-off of market longs and prices could get pushed lower.

However, almost every trade report is calling for lower yields, lower quality and poor test weights so all the experts seem to be behind stronger prices after Friday's report.

Soybeans for September forward were up on the week and most experts feel that the crop report on Monday will show reduced crop condition while the report on Friday could show lower yields and reduced production.

There is some rain in the forecast for some of the soybean growing areas but experts feel that it is going to be too little too late and there is now not much chance for soybeans to show a major recovery from the effect of too much heat and too little rain.

For the early part of next week prices for grains/oilseeds will probably be very active as traders try to decide what to do in advance of the USDA report on Friday and it is expected that the report will then set the price trend for the next few weeks.

Everyone knows that the USDA report will show reduced production but the question is by how much and is the reduction larger or smaller than what is anticipated in the market – we will all know on Friday.

USDA Weekly USA Crop Condition Report – July 29, 2012 (issued every Monday)

Commodity	Very Poor	Poor	Fair	Good	Excellent
Corn	23.0	25.0	29.0	23.0	3.0
Sorghum	17.0	25.0	32.0	20.0	6.0
Soybeans	15.0	22.0	34.0	26.0	3.0

FOB port or location specified .. prices in US\$.. in metric tones:
All shipments in bulk grain vessels unless stated otherwise
(NOLA is New Orleans, Louisiana, USA.)

Wheat, USA Soft Red Winter, NOLA	USD 334/352
Wheat, USA Hard Red Winter 12 protein	USD 365/367
Wheat, milling Black Sea 11.5 pro	USD 305/310
Wheat, soft milling, France, Rouen	USD 317/320
Wheat, milling, Argentina, up river	USD 335/342 old crop
Wheat, feed, Black Sea	USD 270/275
Barley, France, Rouen	USD 290/293
Barley, feed, Argentina	USD 305/310 old crop
Barley, feed, Black Sea	USD 280/285

Corn, FOB NOLA USA	USD 342/347 Aug/Sept new crop
Corn, FOB Argentina port, upriver	USD 308/311 Aug/Sep new crop
Corn, FOB Brazil port	USD 305/308 Aug/Sep new crop
Corn, FOB Black Sea	USD 289/296 Aug/Sep new crop
Corn, FOB France	USD 321/328
Sorghum, FOB Texas, low tannin, GMO free	USD 317/321
Sorghum, FOB Argentina port, high tannin, GMO free	USD asked 238/bid 230 Aug/Sep new crop

Soymeal, 48 protein, FOB NOLA	USD 625>>604
Soymeal, 44 protein, FOB NOLA	USD 614>>593
Soymeal, Argentina, Rotterdam	USD 646>>630
Soymeal, 47 pro, FOB Argentina	USD 602>>577 Aug/Oct
Soymeal, 48 protein, Brazil, Rotterdam	USD 653>>630
Soymeal, FOB Brazil	USD 609>>560 Aug/Oct
Soymeal, 48 protein, India FOB	USD 750/755 spot

Bulk vessel shipments, minimum 5000 m/t

Corn Gluten Feed, USA FOB NOLA	USD 350/360 m/t Aug/Oct
Corn Gluten Meal, USA FOB NOLA	USD 800/810 m/t Aug/Oct
DDGS, 35 profat, USA FOB NOLA	USD 382>>379 m/t Aug/Oct
DDGS, 35 profat, CNF Asian ports	USD 420>>418 m/t Aug/Oct

As can be seen from the prices above, all corn by-product prices remain very strong and as a result there is very limited export buying --- there is certainly export interest but most buyers cant believe the CNF prices. Looking at some DDGS markets one finds that buyers are switching back to less expensive corn and protein meal rather than buying DDGS at today's price level.

We have been offering corn gluten meal into several markets this week but buyers just can seem to understand how CGM can cost them close to USD 1000 m/t CNF in containers – the prices are scaring away many buyers or buyers are just taking smaller quantities in the hopes that the market will fall.

There continues to be a great deal of talk in the USA regarding the use of corn for ethanol and the effect that this is having on prices. Each week more experts and traders are coming out on the side of reducing the consumption in ethanol production and allowing more corn into the domestic markets, especially for livestock producers. Even Cargill has come out on the side of

less corn for ethanol. However, most experts seem to feel that any change to ethanol usage, such as suspending the Renewable Fuel Standard, is just not going to happen --- at least not before the USA election.

So, if corn prices stay up then so are corn by-product prices going to be high – unless we see a very drastic drop in demand.

Container shipments, minimum 200 m/t

Argentina Meat & Bone meal, 45 protein	USD 560/590 m/t CNF Asia
Brazil Meat & Bone meal, 45 protein	USD 550/570 m/t CNF Asia
Paraguay Meat & Bone meal, 45 protein	USD 500/520 limited supply
USA Meat & Bone meal, 50 protein	USD 610/630 m/t CNF Asia
Europe Meat & Bone meal, 48/52 protein	USD no quotes
Australian MBM , 45 protein	USD 720/740 m/t CNF Asia
Australian MBM, 50 protein	USD 790/810 m/t CNF Asia
Australian Feathermeal	USD 890/910 m/t CNF Asia
USA Feathermeal, 80 protein	USD 800/820 m/t CNF Asia
USA Poultry Meal, feed grade	USD 825/840 m/t CNF Asia
USA Poultry Meal, pet food grade	USD 1025/1040 m/t CNF Asia
Australia Poultry meal, pet food grade	USD 990/1010 m/t CNF Asia

The following indications are at producer's factory, ex-works in bulk

Meat and bone meal, USA, 50 protein	USD 450/520 m/t, wide price range
Feathermeal 80 protein USA	USD 620/640 m/t
Poultry meal 57 protein, Eastern USA	USD 560/590 m/t, wide price range

There was quite a lot of interest this week from animal protein buyers in Vietnam and Bangladesh but, as usual, buyers had price ideas much lower than where any supplier is willing to sell. Buyers are scouring the market trying to find some reasonably priced supply but stocks are low everywhere and prices are high but buyers insist on trying to buy well below current market levels.

Export demand for MBM and feathermeal is quite good with poultry meal seeming to be a little less in demand and with good demand and limited supply come higher prices.

It looks like USA producers are all set to start shipments to Indonesia once again, as all existing problems are reported to have been solved. This should weaken the prices from Australia and New Zealand a little as USA MBM will be able to get back the Indonesian volume and the supply pattern in Asia should get back to normal – OZ/NZ exporters will be back looking at other Asian markets for their supply.

Also, once the prices get back to more normal levels it will probably also reduce the very heavy demand on South American exports and could make buying for everyone a little easier.

SECTION 2 --- FISHMEAL COMMENTS AND PRICES: PERUVIAN

Well, it looks like the main fishing in Peru is over for this season as the quota expired on the 31st with about 150,000 m/t of quota still open --- about where everyone had expected for the past couple of weeks. The small southern quota of 400,000 m/t is also just about completed with only 36k m/t still to go.

The trade in Peru estimates that the unsold fishmeal stock at the end of the quota period is about 125,000 m/t of fishmeal which looks to be no more than 12 weeks supply assuming an average sales week of about 10k m/t. If the current sales pattern continues this stock could last until late October but if any major buyer jumps into the market then the stock will disappear very quickly. Experts in the trade seem to feel that China will not be back in the market in the next couple of months, except for small lots or top-up amounts, so perhaps the stock will last.

The trade also reports that there is very little supply of the higher grades of fishmeal as prime and super prime are almost impossible to find.

As to prices, it certainly does not look like prices will move much lower, if at all, and certainly not for the higher grades of fishmeal.

PERU "INDICATION" FISHMEAL PRICES:

ALL PRICES SHOWN ARE IN CONTAINER, ON VESSEL, AT ORIGIN --- US DOLLARS

Minimum shipment of 200 m/t for fishmeal

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<u>Specification</u>	<u>Price per m/t FOB vessel Peru port</u>
FAQ basis 65 protein	1550/1560 m/t
65/66 pro standard steam	1550/1560 m/t
67 protein standard steam	1580/1590 m/t
67 protein SD 150 TVN	1620/1640 m/t
67 protein SD 120 TVN	1640/1660 m/t
67 protein SD 1000 hist, 120 TVN	1660/1680 m/t
68 protein SD 500 hist, 120 TVN	1680/1700 m/t
Fish oil .. crude bulk	1900/1930 m/t
Fish oil – crude drums	2000/2080 m/t
Fish oil – flexitank	1980/2000 m/t
Fish oil – Omega 3 – 28%EPA/DHA	2500/2600 m/t

INFORMATION: gtee = guarantee, TVN = total volatile nitrogen, hist = histamine, FAQ = fair average quality (normally flame or hot air dried), SD = steam dried

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