

Weekly Report August 12, 2012



Hammersmith Marketing Ltd

Grain Trading

WEEKLY FEED GRAIN AND PROTEIN REPORT August 12, 2012

(a Bahamas Corporation)

SECTION 1: FEED GRAINS -- VEGETABLE AND ANIMAL PROTEIN

So, was the USDA WASDE report a surprise, a non-event, a flash in the pan – very hard to say as there has only been one days trading since the report and the initial reaction is not always where things will end up after a few days of analysis and quiet thought. All the corn numbers would seem to be bullish but the market moved lower as it followed the very old practice of buying the rumour and selling the fact (no matter what the fact may be). It seems that to much of the trade there were not many surprises in the USDA report, except perhaps the increases in corn production in Argentina and Brazil. The major players seem to be waiting to see exactly what the actual performance is for the corn harvest rather than worrying too much about a USDA report that is probably out of date as soon as it is published.

The market is waiting to see what the early results are for the USA corn harvest: yield, test weight, quality, etc. A number of major brokerage houses are saying that corn prices will be moving higher in coming weeks and that there is room for prices to increase by as much as USD 20 m/t before we get through 2012.

It is going to be very interesting and important to see exactly how the USA corn harvest goes.

As opposed to corn, everything in the USDA WASDE seemed to be bullish for soybeans and the market reacted accordingly and moved higher on Friday after the report. USA production is expected to be lower and based on early reports from out in the fields the yields can be even lower than the USDA is forecasting.

The hot, dry weather continues to affect soybeans and the rain in the current forecast is just not widespread enough to be of much benefit to the crop. However it looks like cooler temperatures are on the way and that more rain could appear – so perhaps there will be a late improvement to the soybean crop. All possible but much too soon to know.

As with corn prices many experts are looking for a continued trend higher for both soybeans and soymeal as we move through the next few weeks --- looks like only the harvest, later in the year, can moderate prices a little but only if the expected yields improve.

USDA Weekly USA Crop Condition Report – August 05, 2012 (issued every Monday)

Commodity	Very Poor	Poor	Fair	Good	Excellent
Corn	25.0	25.0	27.0	20.0	3.0
Sorghum	19.0	26.0	30.0	19.0	6.0
Soybeans	16.0	23.0	32.0	25.0	4.0

USA exports corn, sorghum and soymeal – Major importing countries – Jan/June 2012

Country	Sorghum m/t	Corn #2 m/t	Corn #3 m/t	Soybean meal m/t
Mexico	266,500	5,484,400	30,500	292,700
Sudan	21,000			
Morocco				237,300
Guatemala				104,600
Japan	27,300		5,110,400	67,300
Chad	17,000			
Kenya	17,500			
South Korea		591,900	1,458,800	
Canada		178,900	59,200	519,800
China		2,040,800		
Egypt		206,900		19,700
Honduras				71,600
Ecuador				67,900
Poland				67,900
Peru				60,900
Latvia				84,300
Taiwan		600,700		
Turkey				113,800
Venezuela		928,200		342,500
Costa Rica		313,600		
Cuba		212,900		
Saudi Arabia		179,100		17,500

It is interesting to note that, due to corn from the Black Sea and GMO problems in the EU, USA corn exports are down as follows: Egypt down 84%, Saudi Arabia down 51%, Israel down 99%, Morocco down 82%, Lebanon down 100%, Tunisia down 100%, Spain down 100%, Portugal down 100%. However the drop in USA corn exports to some regions has been offset by increases to: China up 740%, Mexico up 63%, Venezuela up 188%,

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 334/343
Wheat, USA Hard Red Winter 12 protein	USD 357/361
Wheat, milling Black Sea 11.5 pro	USD 310/315
Wheat, soft milling, France, Rouen	USD 326/329
Wheat, milling, Argentina, up river	USD 320/330
Wheat, feed, Black Sea	USD 277/282
Barley, France, Rouen	USD 299/302
Barley, feed, Argentina	USD no prices
Barley, feed, Black Sea	USD 285/290

Corn, FOB NOLA USA	USD 333/343 Aug/Oct new crop
Corn, FOB Argentina port, upriver	USD 296/300 Aug/Oct new crop

Corn, FOB Brazil port	USD 300/304 Aug/Oct new crop
Corn, FOB Black Sea	USD 294/300 Aug/Oct new crop
Corn, FOB France	USD 315/323
Sorghum, FOB Texas, low tannin, GMO free	USD 318/322
Sorghum, FOB Argentina port, high tannin, GMO free	USD asked 228/bid 210 Aug/Oct

Soymeal, 48 protein, FOB NOLA	USD 625>>610
Soymeal, 44 protein, FOB NOLA	USD 614>>599
Soymeal, Argentina, Rotterdam	USD 657>>648 Aug/Oct
Soymeal, 47 pro, FOB Argentina	USD 602>>587 Aug/Oct
Soymeal, 48 protein, Brazil, Rotterdam	USD 655>>649 Aug/Oct
Soymeal, FOB Brazil	USD 606>>592 Aug/Oct
Soymeal, 48 protein, India FOB	USD 760/770 spot

Bulk vessel shipments, minimum 5000 m/t

Corn Gluten Feed, USA FOB NOLA	USD 340/345 m/t Aug/Oct
Corn Gluten Meal, USA FOB NOLA	USD 800/810 m/t Aug/Oct
DDGS, 35 profat, USA FOB NOLA	USD 370/372 m/t Aug/Oct
DDGS, 35 profat, CNF Asian ports	USD 420>>416 m/t Aug/Oct

The USDA report at the end of the week put a stop to business as everyone was afraid to buy before the report then after the report wouldn't buy in case they were paying too much in a falling corn market. Export buyers have only be in the market to cover immediate needs as DDGS prices are just a little too high versus corn and soymeal to get export buyers interested in the market. Most trade reports seem to feel that, with the current level of ethanol production, DDGS prices will continue at a premium to corn prices until the DDGS supply improves which will happen if corn prices drop and ethanol production picks up. The USDA has forecasted that ethanol production will be down by 10% and that will keep DDGS supply down and should keep prices up.

CGM and CGF are not in the same position as DDGS as they are produced in other ways and are not dependent on ethanol usage, so they are able to react to both corn prices and, in the case of CGM, to protein prices. As we have seen this week, CGF prices have slipped lower with corn prices while CGM prices remained strong as soybeans and soymeal moved higher.

Most experts seem to feel that there will be no major drop in corn prices in the short term and that prices should move up again and if that is the case then all the corn by-product prices should be steady to higher in the longer term.

USA exports of Corn by-products – major importing countries – Jan/June 2012

Country	Corn gluten feed M/t	Corn gluten meal M/t	Distillers dried grains M/t
Ireland	67,600		36,900
Israel	108,100		70,300
Morocco	77,200		83,200
Mexico	25,500	27,100	813,700
Columbia	21,400	30,300	36,500
China		5,000	1,230,800
Canada	18,200	32,600	328,700
Turkey	75,100		70,500
Egypt	6,800	112,800	73,200
Portugal	7,700		

Philippines			67,700
Indonesia		89,200	86,200
Chile		63,500	8,800
Malaysia		19,600	30,300
Netherlands		17,900	
Turkey			70,500
Thailand		14,000	84,500
Taiwan		13,500	93,259
Japan		12,000	187,200
Vietnam		9,600	194,100
South Korea		2,500	174,200

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 740/750 m/t CNF Asia
Australian MBM, 50 protein	USD 800/820 m/t CNF Asia
Australian Feathermeal	USD 830/850 m/t CNF Asia
USA Feathermeal, 80 protein	USD 820/840 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 1000/1020 m/t CNF Asia

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

Meat and bone meal, USA, 50 protein	USD 455/520 m/t, wide price range
Feathermeal 80 protein USA	USD 630/650 m/t
Poultry meal 57 protein, Eastern USA	USD 560/590 m/t, wide price range

While it is expected that USA MBM will be flowing into Indonesia shortly it also seems that the supply of the quality required will be very limited and that there will still be very good demand for OZ/NZ MBM. Indonesian buyers are said to be trying to buy at lower price levels but with little or no success as there just isn't anything less expensive that can go to Indonesia.

The further moves higher for protein prices and a result of the USDA report and continued strong demand are certainly going to keep animal protein prices firm and with no weakness expected in fishmeal prices then there seems to be very little chance that there will be any prolonged drop in any animal protein prices.

These days with animal proteins, as with almost every protein item, there is just too much demand and too little supply: a recipe for higher prices, at least in the next few weeks.

USA EXPORTS OF ANIMAL PROTEIN – JAN/JUNE 2012

Country	Meat and bone meal, pork meal Poultry meal – m/t	Feathermeal m/t
Indonesia	44,000	17,300
Mexico	29,000	
Canada	19,200	6,100
Thailand	5,600	
Philippines	5,100	
China	4,300	
Chile		11,400

SECTION 2 --- FISHMEAL COMMENTS AND PRICES: PERUVIAN

It looks like the final numbers on the recent fishing season in Peru show that the total catch was about 140,000 m/t short of full quota, which represents about 32,500 m/t of fishmeal – not too bad really when you consider how low the catch was for the last few days. So now we have about 3.5 months to go before we will be into the next fishing season. According to trade numbers the total fishmeal on hand is about 100,000 m/t, which is certainly not a huge amount of stock to cover 3.5 months new sales.

The latest El Nino report for 2012 says that there will probably be a moderate event later in the year but at present there is no idea at all how that could affect the next fishing season in Peru but certainly any El Nino rumours will help to keep prices high.

The MSI Ceres report for this week points out how the local market for Peruvian fishmeal is growing along with exports to regional markets in South and Central America and that demand from these "local " markets could easily consume the remaining fishmeal stocks in Peru.

For the next few weeks there appears to be no reason at all for Peru fishmeal prices to move lower: stocks are low, main fishing is over, El Nino is a risk, November fishing quota is unknown and demand is always there.

Just for your information: **IFFO 2012 Conference**, 29 Oct - 1 Nov 2012, Istanbul, Turkey

PERU "INDICATION" FISHMEAL PRICES:

ALL PRICES SHOWN ARE IN CONTAINER, ON VESSEL, AT ORIGIN --- US DOLLARS
Minimum shipment of 200 m/t for fishmeal

Specification	Price per m/t FOB vessel Peru port
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	No prices

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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