

Hammersmith Marketing Ltd - Grain Trading

WEEKLY FEED GRAINS AND PROTEIN MEAL REPORT June 05, 2010

(a Bahamas Corporation)

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A GAFTA Member Corporation

SECTION 1 -- FEED GRAINS -- VEGETABLE AND ANIMAL PROTEIN

A very soft week for corn prices as per ton prices move USD 10/12 lower --- the USA corn crop is about 100 percent planted, the crop condition is said to be very, very good, the long term weather forecast looks just fine for the growth of the corn crop --- all these are factors which make for a very good crop and a weakness in prices. Of, course, as we all know, the weather can easily change and the crop outlook can get worse but for now everything looks great and no one can see any reason to pay higher prices for corn.

There was the comment in one of the trade reports that farmers in Argentina are holding corn back from the market in the hopes of pushing the price higher, at least in the short term, while the USA crop is still growing and cant be shipped.

At present, it looks like lower corn prices for the next few days, as long as the perfect growing weather holds out.

Soybean prices ended the week a little lower as rumours of cancellations of soybean imports by China from South America shook up the market. Everyone counts on China for very large soybean purchases and any change in their patterns --- real or imagined --- has an immediate effect on the market.

The USA soybean plantings are going well with about 85 percent of the crop in the ground, which is about average for most year and due to the very good weather the crop is expected to be up to 70 percent in excellent condition, which is much above normal average this time of year.

As with corn, in the near term, there does not seem to be any reason to expect higher soybean and soymeal prices.

However, I should point out, as I do every year, that there is normally always a sudden change in growing weather that will quickly push prices higher and panic buyers ---- there is still lots of time for this to happen in 2010.

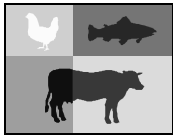
FOB port or location specified .. prices in US\$.. in metric tones:
All shipments in bulk grain vessels unless stated otherwise

Corn FOB NOLA USA-----USD 156/158 Jun/July
Corn FOB Argentina port-----USD 161/164 Jul/Aug
Corn FOB Brazil port-----USD 172/175 Jul/Aug
Sorghum FOB NOLA USA-----USD 163/165 m/t Jun/July

Soymeal 48 pro, FOB NOLA-----USD 344 Jun/Jul
Soymeal 44 pro, FOB NOLA-----USD 333 Jun/Jul
Soymeal Argentina - Rotterdam-----USD 346/350
Soymeal FOB Argentina-----USD 291/294 m/t Jun/July
Soymeal 48 Brazil - Rotterdam-----USD 350/353
Soymeal FOB Brazil-----USD 305>>>299 m/t Jun/Aug
Soymeal 48 Indian FOB-----USD 365/370

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Bulk vessel shipments – minimum 5000 m/t

Corn Gluten Feed USA FOB NOLA----USD 102/105 m/t – Jun/July
Corn Gluten Meal USA FOB NOLA----USD 540/545 m/t – Jun/July
DDGS 36 profat USA FOB NOLA.-----USD 150>>148 m/t – Jun/Aug

Container shipments – minimum 200 m/t

Corn gluten meal Indian 60 pro-----USD 730/740 m/t CNF Egypt/Africa
Corn gluten meal USA 60 pro -----USD 740/750 m/t CNF South Africa
-----USD 700/710 m/t CNF Egypt bulk cont

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

Meat and bone meal, USA, 50 pro-----USD 350/360 m/t
Feathermeal 80 protein-----USD 475/490 m/t
Poultry meal 57 pro, Eastern USA-----USD 365/375 m/t

Meat and bone meal sellers in South America are a little bit more aggressive this week as their business into Asia has been a little soft for the past couple of weeks and export sales for June and July are not quite as good as producers would like. Buyers seem to think that all proteins will act like fishmeal and prices will fall drastically --- not likely to happen. Some of the larger Asian markets seem to have good stocks of meat and bone meal and local consumption appears lower this year than last.

I had a long discussion with a large meat and bone meal importer in Bangladesh this week – he could not understand why Argentina meat and bone meal should be at least USD 100 m/t higher priced than a similar product from the EU. It seems that very few meat and bone meal users are aware of the differences in the allowed end use for EU category 3 MBM and for South American, USA, Australian, New Zealand feed grade MBM. As the man in Bangladesh said to me: "we have imported thousands of tons from the EU for feed use and never had any problems" -- c'est la vie.

DDGS prices out of the USA were slightly lower this week – perhaps a dollar or two – but with the larger drop in corn prices buyers are looking more to the corn side for supply. While DDGS is a good product buyers are still much more in favour of using corn and if they don't see any decent discount for DDGS against corn then they lose interest. It is the same situation with sorghum where buyers expect an 8 to 10 percent discount to corn but these days sorghum sells at a premium to corn so is out of the market in many countries.

Both Corn Gluten Feed and Corn Gluten Meal traded higher this week but this is not expected to continue as the drop in corn prices will eventually filter through to these markets.

There has been a reasonable opportunity this week with EU corn gluten meal exports – the drop in the value of the Euro and a regional surplus of corn gluten meal made export prices to North Africa, Syria, Turkey, Jordan, Egypt quite attractive --- unfortunately it is a short term opportunity as the surplus will be sold off very quickly.

SECTION 2 --- FISHMEAL COMMENTS AND PRICES .. PERUVIAN

Fishing is continuing at a decent pace in Peru and based on the current level of landings the quotas should all be filled in about 25/30 days – based on an average of about 50,000 m/t of catch per day as has been about the average so far. Of course this can all change if there are any short term bans set by the Peruvian government.

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The export business has been quite quiet but with prices continuing to fall this is not at all surprising as no one wants to have been caught paying too much for their purchase. Buyers are currently being very conservative. However, even with falling prices, producers do seem quite confident that prices will remain at levels much higher than 2009 --- seems that they feel the demand, with much of the current production pre-sold, will continue to be strong and that due to the reduced supply prices will not tumble to far down.

The prices have continued to slide a little lower this week but not as great a slide as in the past couple of weeks --- so perhaps the producers are correct and that a halt will come to weak prices. One of this weeks trade reports did mention that the large European fishmeal buyers have not been in the market in months and if/when they do buy this could certainly take a good chunk of the available supply and would stop the decline in prices.

So, chances are that in the near term fishmeal prices will continue lower but the difficult question is how much lower will they go.

Peru .. indication fishmeal prices.

ALL PRICES SHOWN ARE FOB CONTAINER AT ORIGIN --- US DOLLARS

Minimum shipment of 200 m/t for fishmeal

Specifications-----FOB Peru \$

New season prices --- June+ shipment

FAQ basis 65 protein-----1600/1610 m/t
FAQ 65 protein gtee----- 1600/1610 m/t
FAQ 66 protein gtee----- 1620/1630 m/t
FAQ 67 protein gtee-----1630/1640 m/t

65/66 pro standard steam-----1650/1660 m/t
67 pro standard steam-----1660/1670 m/t
67 pro 150 TVN-----1670/1680 m/t
67 pro 120 TVN-----1680/1690 m/t
67 pro 1000 hist, 120 TVN-----1690/1700 m/t
67 pro 500 hist, 120 TVN-----1700/1710 m/t

Fish oil .. crude bulk-----900/950 m/t
Fish oil – crude flexitank-----1000/1050 m/t
Fish oil – crude drums-----1050/1100 m/t
Fish oil – Omega 3 gtee ----- 1400/1500

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