

Heartland II

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Weekly report -- May 26, 2013

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Hammersmith Marketing Ltd - Grain Trading

WEEKLY FEED GRAIN AND PROTEIN REPORT May 26, 2013

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SECTION 1: FEED GRAINS -- VEGETABLE AND ANIMAL PROTEIN

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One thing that the American farmer can certainly do well is plant corn. While the planting progress in the past week was not a record it certainly was impressive an one can just imagine all those machines out in the fields, running 24 hours per day to get all the corn planted. There was an interesting article in one of the trade papers that quoted a study on planting that concluded that it was much faster and more efficient to use a great many smaller planting machines rather than a few very large machines. I can imagine that with a great many small machines running all over thousand and thousands of acres it would look a lot like an old science fiction movie where the US had been invaded by robots from Mars. Whatever, the planting job is

certainly getting done.

Corn prices were all up a little this week but for the first time in quite a while the new crop prices were actually up more than the old crop. The export sales numbers were quite good for new crop business and with this being a three day weekend in the USA no one wanted to be on the short side of the market over a long weekend so this helped keep prices firm for the week. Longer term everyone seems to expect corn prices to move lower with the European banks being the most bearish on corn prices with at least one bank saying they expect the corn price could drop by close to USD 50 m/t by the end of 2013. Now that is quite bearish.

USA experts feel that the corn planting will reach close to 90 percent for next weeks report and that very early crop development looks good --- at this time there is no one who feels that corn prices will move higher. However, things can change so for now on we all need to watch the weather.

On the soybean/soymeal side of things we had another up week with the old crop rallying more than the new crop s current demand is certainly pushing prices higher. The export fob basis for soymeal in NOLA is currently running at USD 60 over the CBOT July futures □ that makes for very expensive soymeal. However, as long as there are shipping delays in Brazil and port strikes in Argentina it is going to be difficult to get soy complex prices to move lower. The Argentina soybean harvest is over 90 percent completed and farmer selling is at a good level so FOB Argentina prices for soymeal are sliding lower. As we all know, it is better for Argentina to export soymeal than soybeans due to the government export taxes □ they want all the processing done in Argentina and why not since crushing in Argentina creates jobs and there is a very good export market for the products.

The USA soybean plantings are running behind average so far but, as we have seen with corn, it does not take much time for plantings to catch up to averages.

On the soybean/soymeal prices for coming months □ at present it looks very difficult for prices to move higher for the new crop □ while we will have some strong ups and downs in coming weeks the trend at present seems to be to lower prices once we get past the immediate South American problems.

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 282/290 Jun/Sep
Wheat, USA Hard Red Winter 12 protein	USD 332/334 Jun/Sep
Wheat, milling Black Sea 11.5 pro	USD 275>>265 July/August
Wheat, soft milling, France, Rouen port	USD 306/310
Wheat, milling, Argentina, upriver	USD 270/280 Dec/Jan new crop
Wheat, feed, Black Sea	USD 270>>260 June>>Aug
Barley, France, Rouen port	USD 265/267
Barley, feed, Argentina, upriver	USD 250/260 Dec/Jan new crop
Barley, feed, Black Sea	USD 265>>260 July>>Aug
Barley, feed, USA Pacific Northwest	USD 280/285

Corn, FOB NOLA USA	USD 301>>279 June>>Aug
Corn, FOB USA Pacific northwest	USD 318>>300 June>>Aug
Corn, FOB Argentina port, upriver	USD 262>>256 Jun/Aug
Corn, FOB Brazil port	USD 231>>226 July/Aug/Sep
Corn, FOB Black Sea	USD 285>>268 June>>Aug
Corn, FOB France	USD 289/292
Sorghum, FOB Texas, low tannin, GMO free	USD 278/280 new crop Jul/Aug
Sorghum, FOB Argentina port, high tannin, GMO free	USD asked 225/bid 210 June/July

Soymeal, 48 protein, FOB NOLA	USD 532>>500 Jun>>Sep
Soymeal, 48 protein, USA, Rotterdam	USD 565>>535 Jun>>Sep
Soymeal, Argentina, Rotterdam	USD 555>>475 Spot>>J/J/A
Soymeal, 47 pro, FOB Argentina	USD 513>>436 J/J/A/S
Soymeal, 48 protein, Brazil, Rotterdam	USD 533>>450 Spot>>J/J/A
Soymeal, FOB Brazil	USD 490>>425 J/J/A/S
Soymeal, 48 protein, India FOB	USD no prices

Bulk vessel shipments, minimum 5000 m/t

Corn Gluten Feed, USA FOB NOLA	USD 215/225 m/t
Corn Gluten Meal, USA FOB NOLA	USD 590/600 m/t
DDGS, 35 profat, USA FOB NOLA	USD 288>>286 m/t June/Aug
DDGS, 35 profat, CNF Asian ports	USD 356/358 m/t June/Aug

DDGS export prices were up a little this week as there was very good buying interest in the market from Asia. According to trade comments, buyers in Asia are looking at USA DDGS due to the late shipments of soymeal from South America. USA soymeal is too expensive to work but DDGS, with a good level of protein, seems to fit in quite well at a competitive price in feed formulations. This jump in demand from Asia will probably push up the container

prices a little as all the DDGS to Asia tends to go in containers.

Export prices for both corn gluten meal and corn gluten feed were steady although in the past few weeks there has been quite reasonable demand for DDGS and CGF from the UK and Ireland where they are suffering from a serious fodder shortage. The export business to Europe tends to be quite spotty as US DDGS and CGF are only used to fill in for shortages in local supplies or lack of low cost grain supply from the Black Sea. So you can go for weeks with no shipments to Europe then have a period of a couple of weeks with sudden demand.

As to prices, DDGS will depend a great deal on the corn price and ethanol production but with corn prices expected to move lower in coming months it certainly looks like the price for all corn by-products should tend to slip a little lower and while corn gluten meal does not always follow corn due to its high protein content, the lower July+ prices for soybeans should also keep CGM from going higher.

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Container shipments, minimum 200 m/t

Argentina Meat & Bone meal, 45 protein	USD no prices
Brazil Meat & Bone meal, 45 protein	USD no prices
Paraguay Meat & Bone meal, 45 protein	USD 530/540 m/t CNF Asia
Europe Meat & Bone meal, 45 protein	USD no prices
USA Meat & Bone meal, 50 protein	USD 720/740 m/t CNF Asia
Australian MBM , 45 protein	USD 670/675 m/t CNF Asia
Australian MBM, 50 protein	USD 720/740 m/t CNF Asia
Australian Feathermeal	USD 770/790 m/t CNF Asia
USA Feathermeal, 80 protein	USD 780/800 m/t CNF Asia
USA Poultry Meal, feed grade	USD 700/720 m/t CNF Asia
USA Poultry Meal, pet food grade	USD 1020/1050 m/t CNF Asia
Australian Poultry meal, pet food grade	USD 1050/1070 m/t CNF Asia

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

Meat and bone meal, USA, 50 protein	USD 450/470 m/t
Feathermeal 80 protein USA	USD 600/610 m/t
Poultry meal 57 protein, Eastern USA	USD 525/535 m/t

USA MBM and protein meal prices seemed to move a little higher this week as demand from the pet food industry increased but feathermeal was not quite so lucky and slid lower on the week.

On the international side there also seem to be a little weakness in prices for animal protein but most feel that this could be just a short term weakness as supplies of MBM from Australia are going to become smaller and smaller if the current drought continues.

There may be some weakness in export prices if fishmeal prices continue to fall as much of the export animal protein is used in place of expensive fishmeal and if fishmeal becomes more cost effective, as seems to be happening at present, there could be some switch in demand.

I had discussions with two protein producers this week who want to become more active in the export protein market. One is a major EU animal protein producer who has very limited export business due to high EU demand and the other is a producer of insect protein. There are certainly very good export opportunities for the EU animal protein producer but the insect protein will probably be a marginal product for a few years until production quantities and cost can make the product competitive with other protein sources. Ah but one day will we have to worry about "mad bug disease".

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SECTION 2 --- FISHMEAL COMMENTS AND PRICES: PERUVIAN

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Fishing in Peru has been quite good with the daily catch averaging out at around 60,000 m/t of fish landed per day, with the best day reaching just over 70,000m/t. According to industry reports the best fishing is at 30 to 40 miles offshore but this is expected to move closer to shore in coming weeks. If fishing levels remain steady the full quota should be landed by the last half of June.

Prices in Peru seem to have slipped a little, at least from the buyers point of view, as bids from buyers are well below the previous market levels. There does not seem to be much business being done so far but what little is seen in the market does appear to be about USD 50 m/t lower than a week or two ago. There has really been no strong buying interest in the market as China is still not booking and there seems to be little interest from Europe. With the fishing chugging along quite nicely there will be a point where sellers are going to want to book some business but it looks like they are going to have to be a bit lower on their price ideas to get some buying excitement going.

There was a comment in one trade report this week that prices should drop another USD 50 to 70 m/t lower for the higher quality grades before there will be much new buying interest.

So, we all now know what the supply side is doing and just have to wait and see when some new demand appears.

The saga of the Copeinca buy out seems to be going on and on with the CERMAQ proposal seemingly falling through due to a lack of sufficient financial support --- we will probably now see all the other possible bidders back in the scuffle for Copeinca.

A director of TASA Peru has said that their export sales will drop by about 18 percent this year due to the lower fishmeal quota that results in reduced production. He also said that he expects that the fish stocks will be fully recovered for next year and that their production and exports will be back to previous high levels. TASA expects to produce about 215,000 m/t of fishmeal this year.

PERU "INDICATION" FISHMEAL PRICES:

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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	1670/1700 m/t
65/66 pro standard steam	1750/1800 m/t
67 protein standard steam	1780/1810 m/t
67 protein SD 150 TVN	1800/1840 m/t
67 protein SD 120 TVN	1860/1880 m/t
67 protein SD 1000 hist, 120 TVN	1920/1950 m/t
68 protein SD 500 hist, 120 TVN	1980/2020 m/t
Fish oil .. crude bulk	2600/2650
Fish oil <input type="checkbox"/> crude drums	2750/2800
Fish oil <input type="checkbox"/> flexitank	2700/2750
Fish oil <input type="checkbox"/> Omega 3 <input type="checkbox"/> 28%EPA/DHA	3000/3300

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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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