



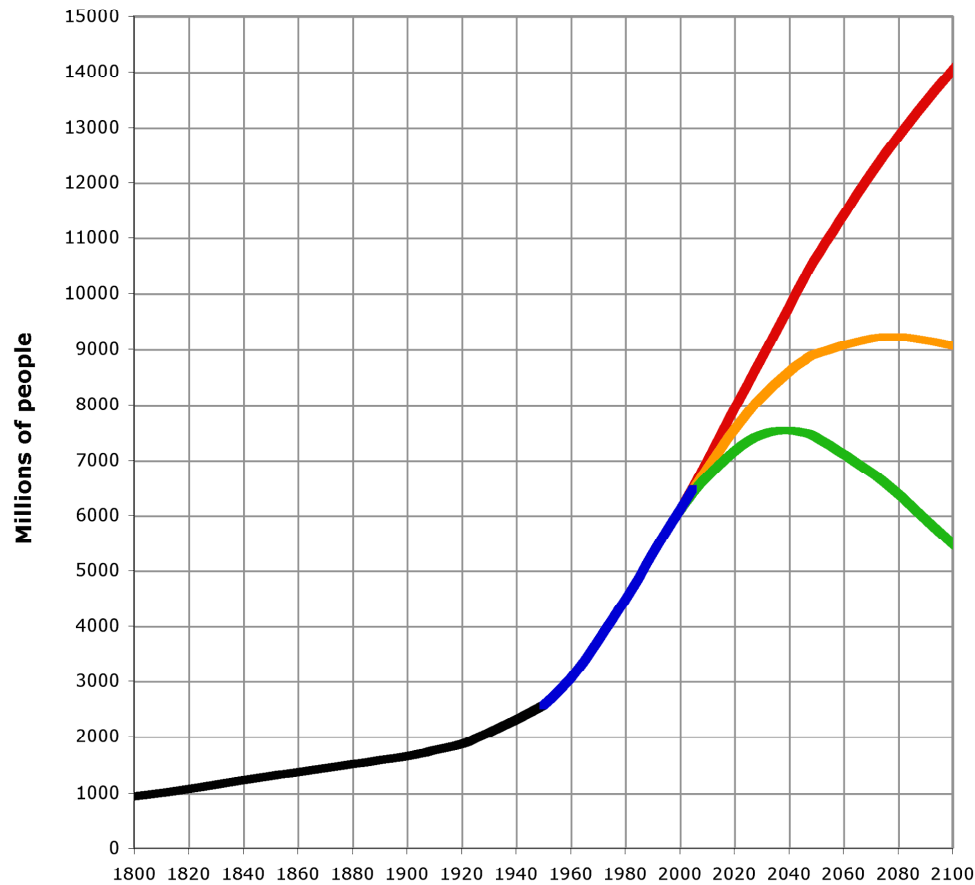
Lugano Commodity Forum

Analysis of certain key agricultural
markets

Andrew Lawford

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Demand is unlikely to drop in the long term

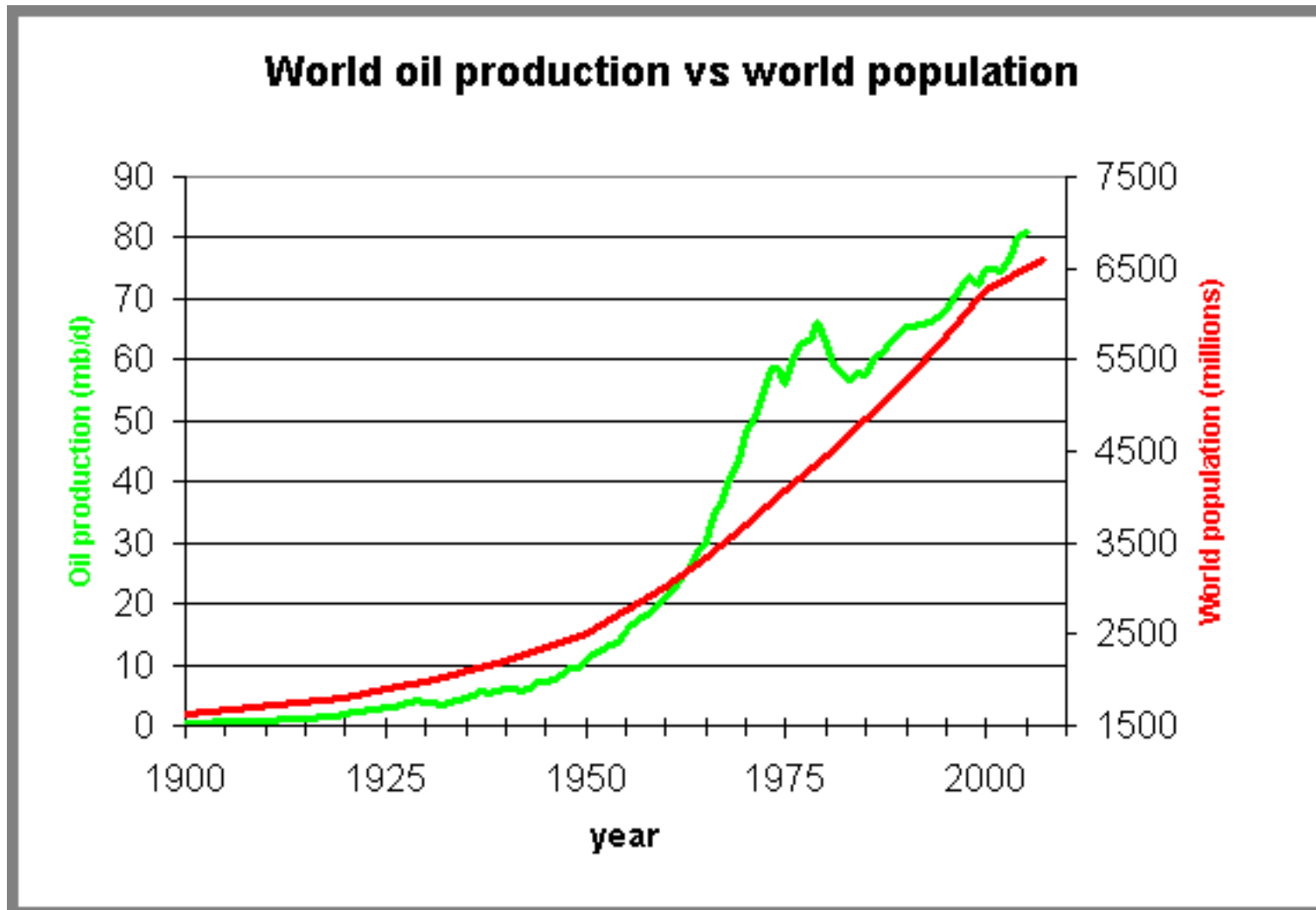


World population milestones (USCB estimates)									
Population (in billions)	1	2	3	4	5	6	7	8	9
Year	1804	1927	1960	1974	1987	1999	2012	2027	2046
Years elapsed	—	123	33	14	13	12	13	15	19

A rapidly growing population shows that demand is there...

— Estimated — UN High — UN Medium — UN Low — Actual

Although a lack of oil may limit population growth

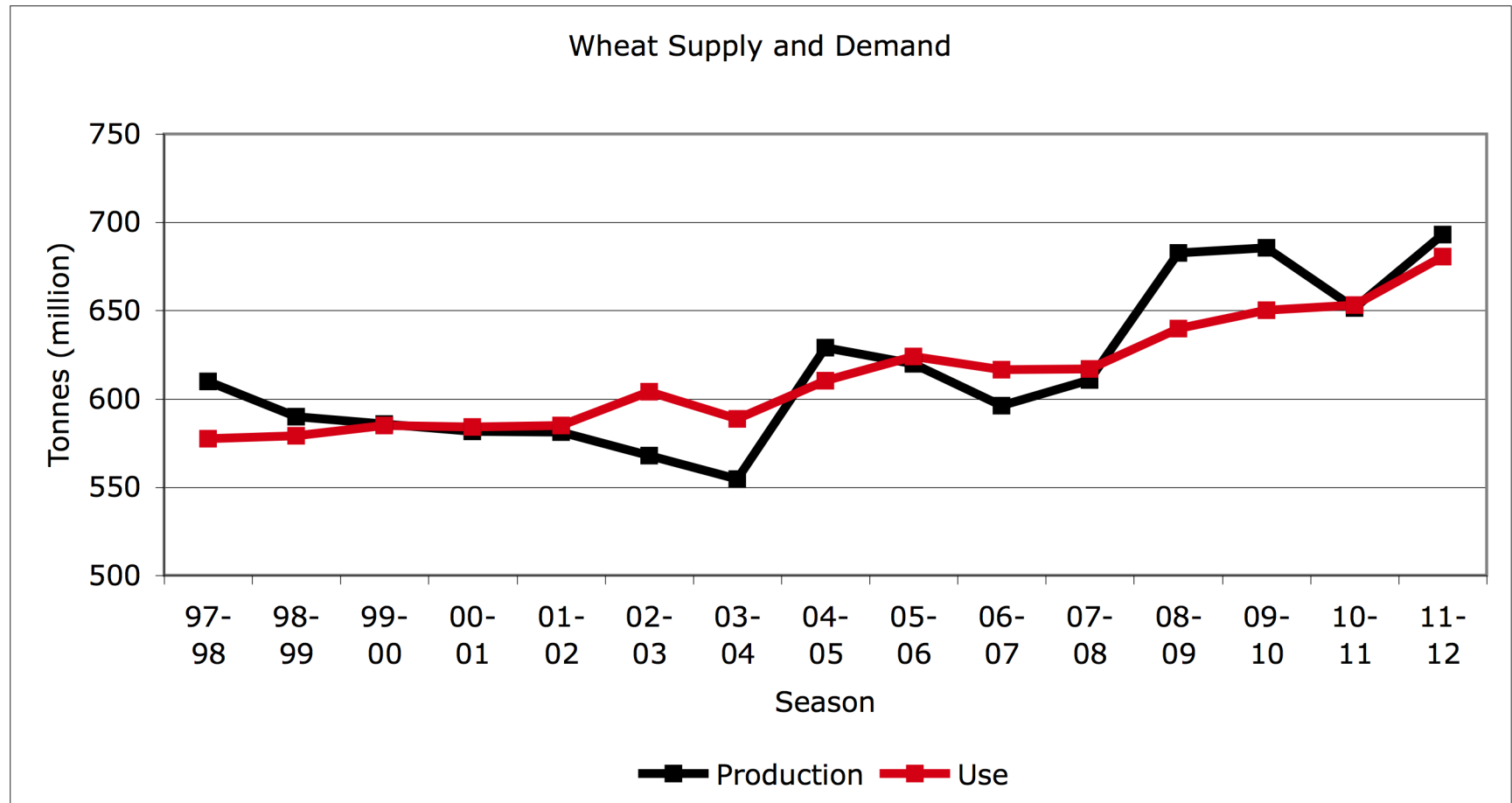


Source: www.energybulletin.net



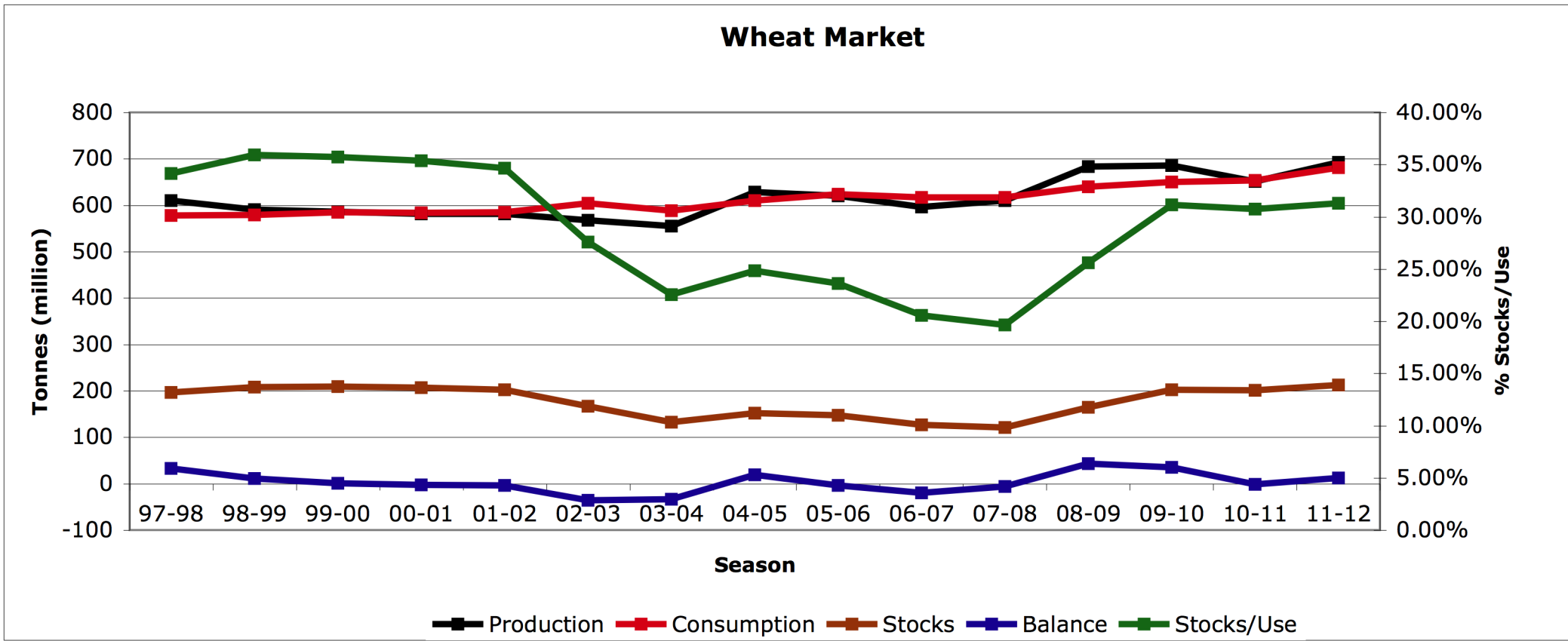
Wheat

Wheat Supply & Demand



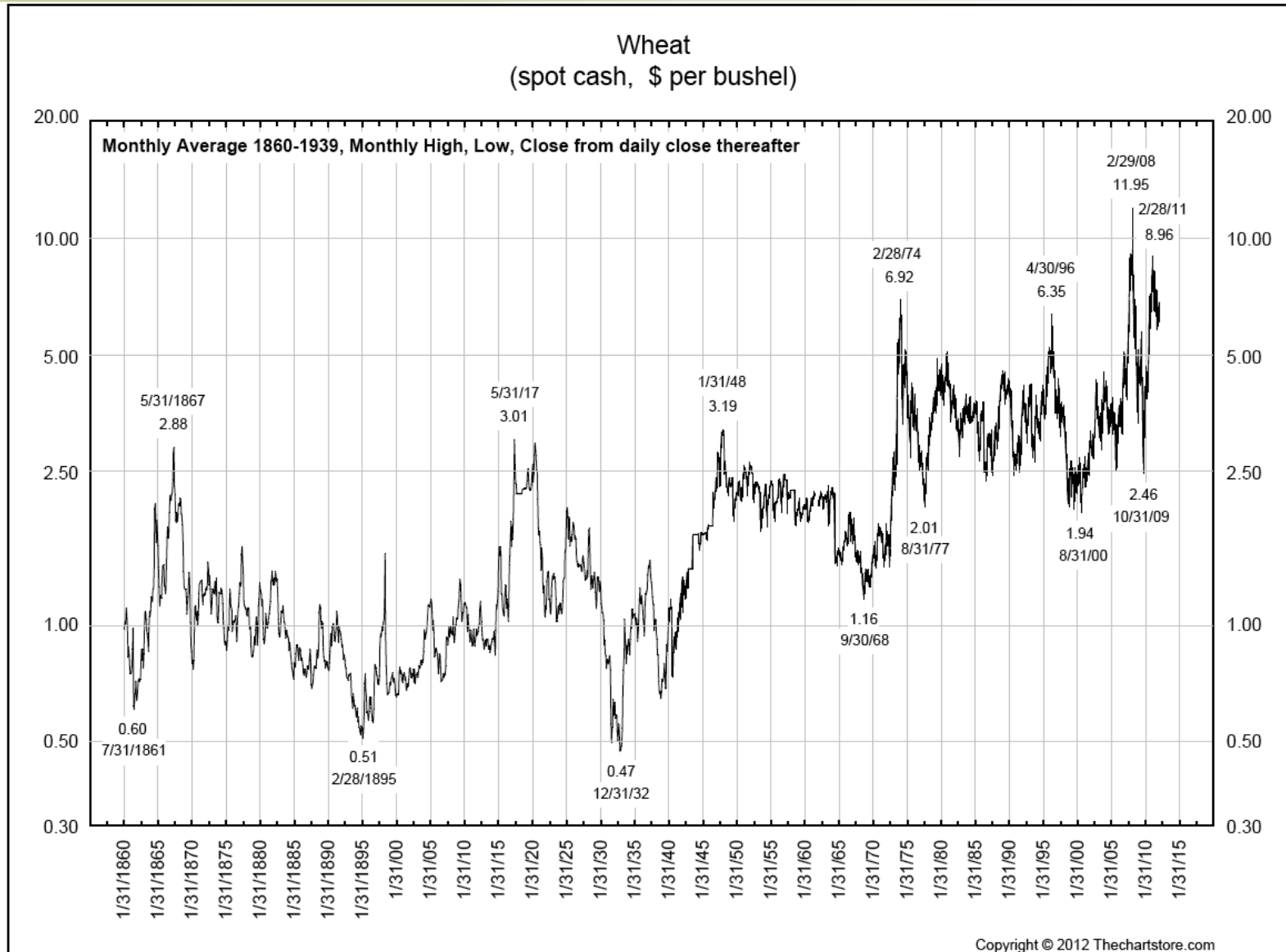
Source: USDA

Wheat Market Indicators

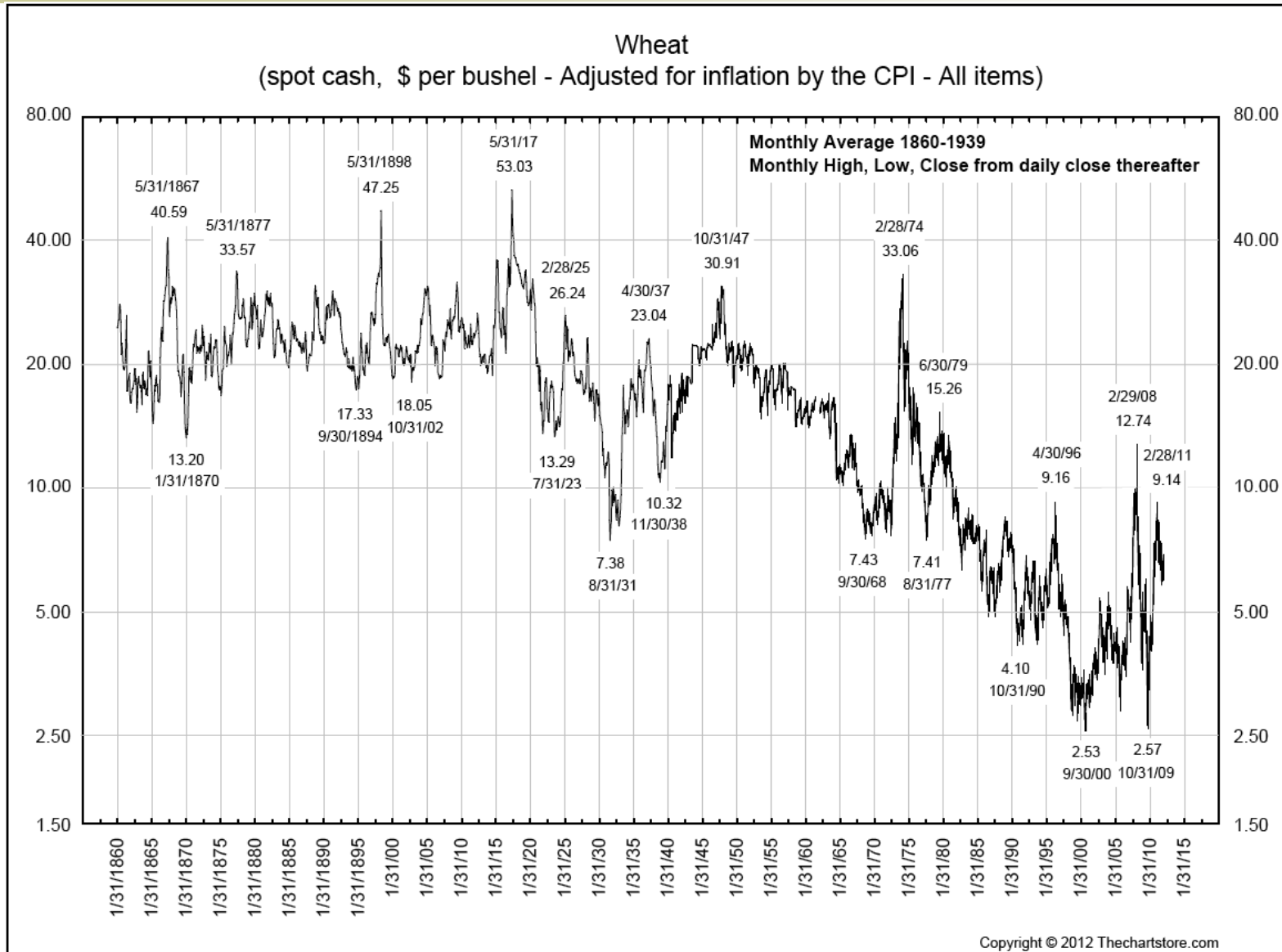


Source: USDA

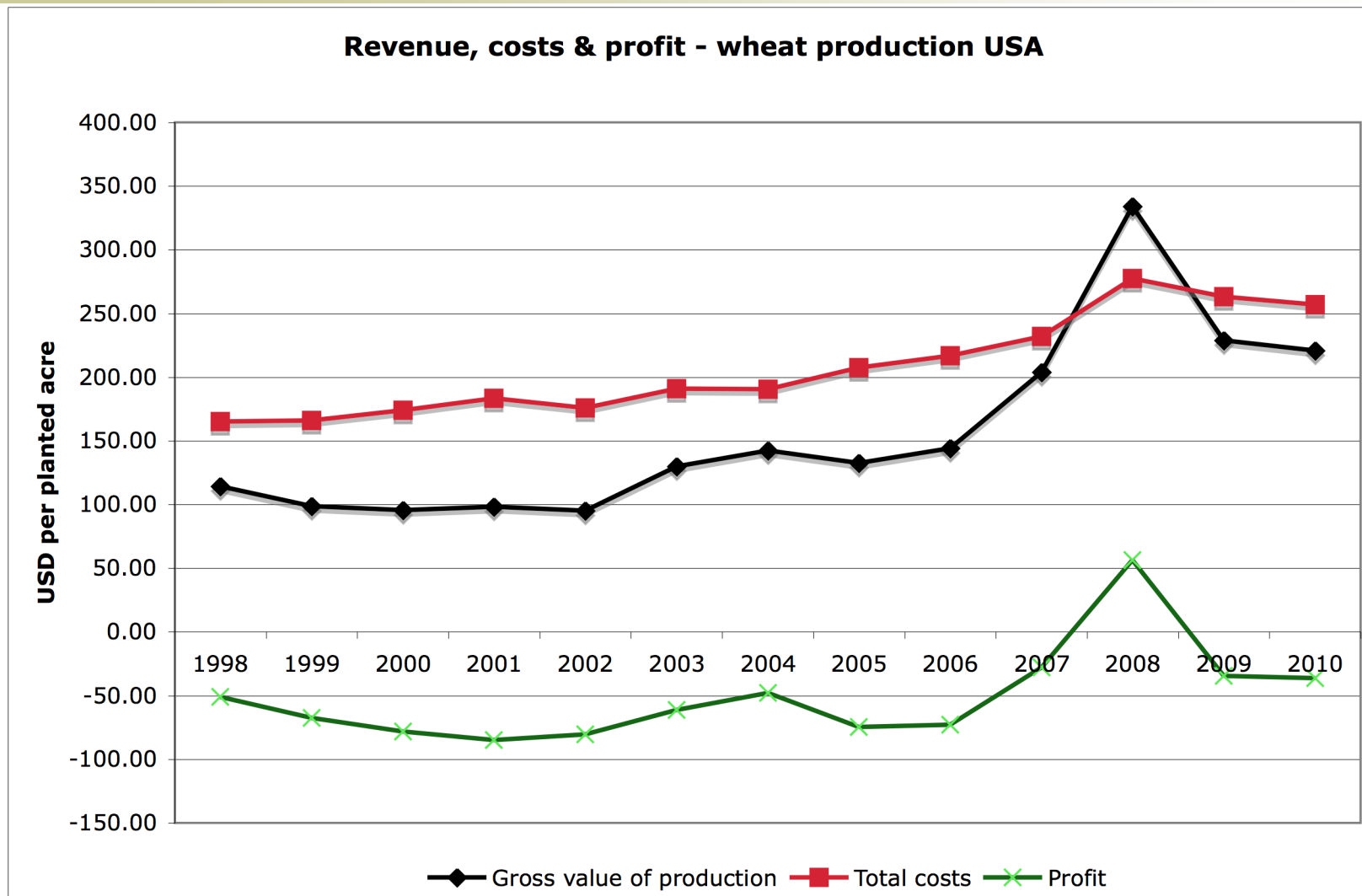
Spot prices 1860 - present



Adjusted for inflation

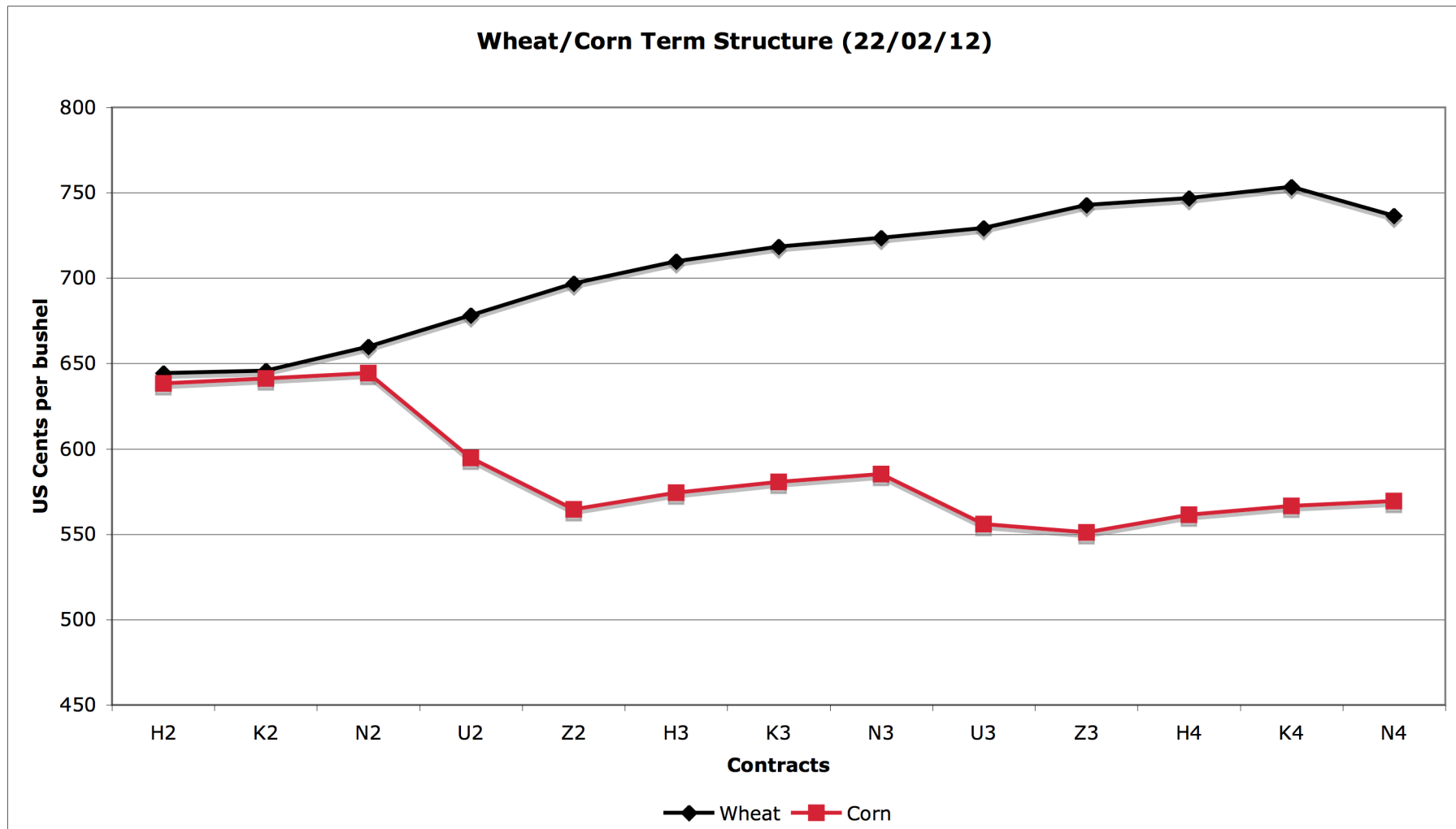


Aren't these good times down on the farm?



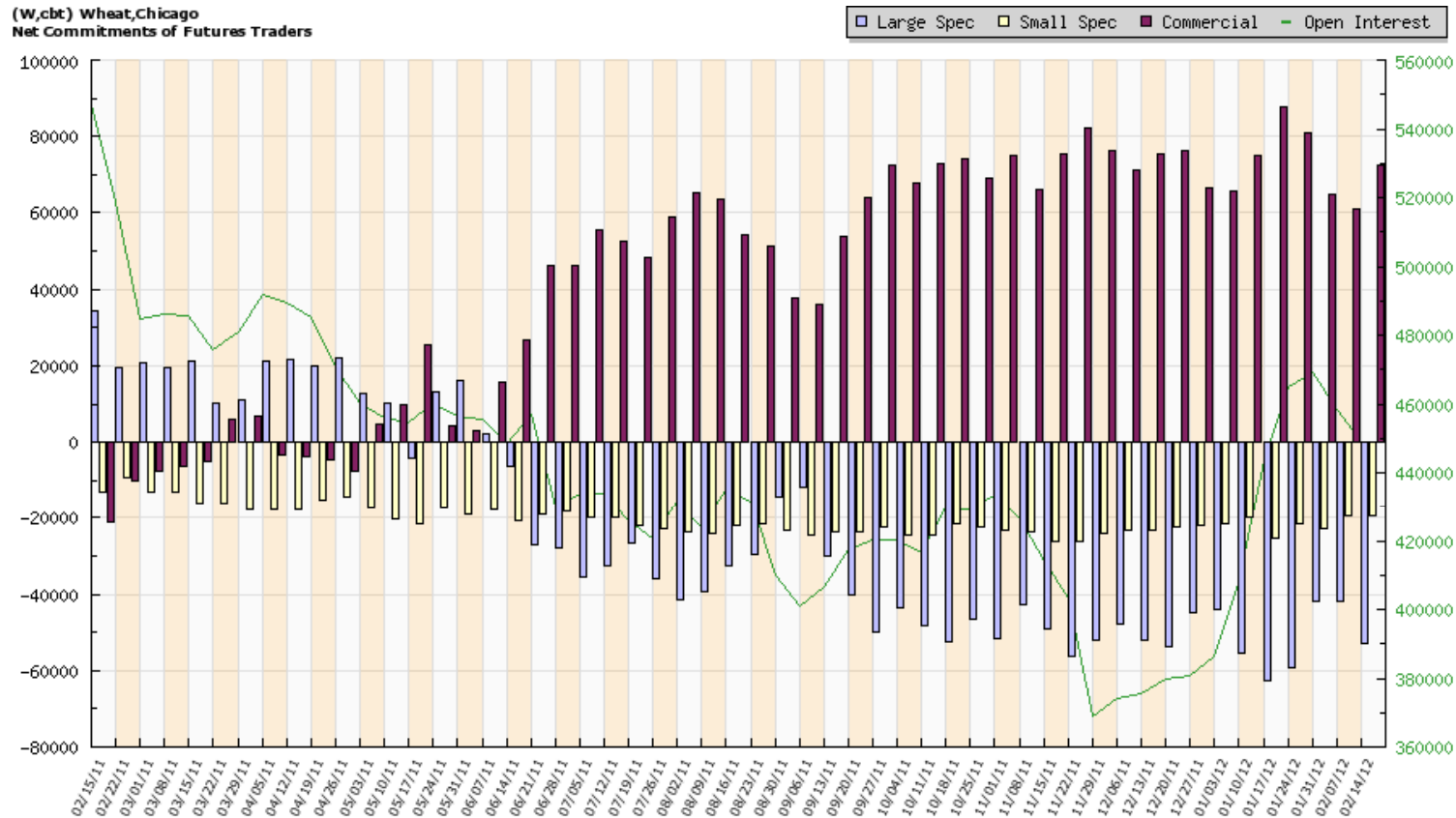
Source: USDA

Relative value to corn



Source: CME Group

Wheat COT

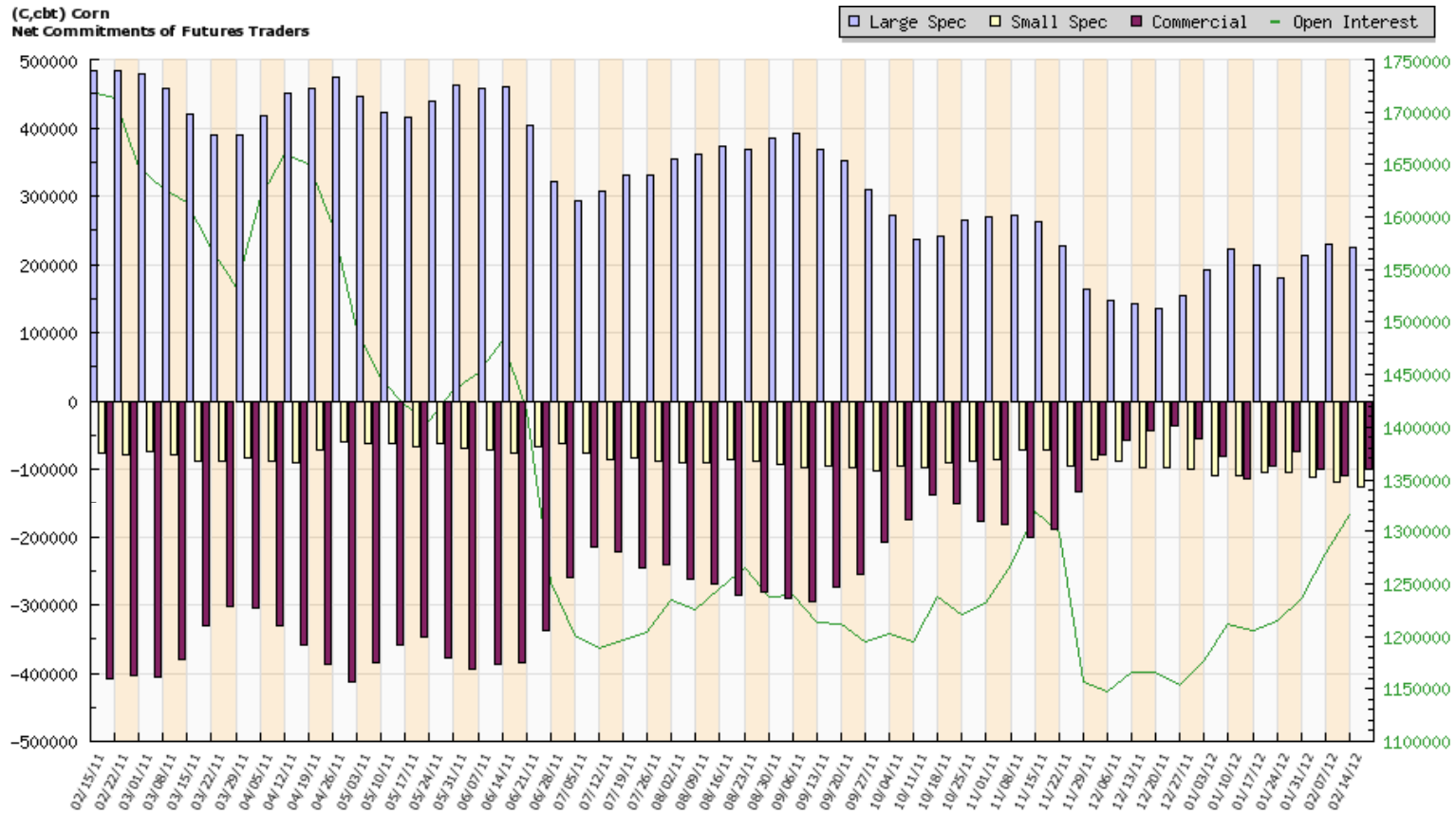


Charts compiled by Software North LLC <http://cotpricecharts.com/commitmentscurrent/>

--- Large Speculators ---				----- Commercial -----				-- Small Speculators --			Open	
#	Long	Short	Bullish	#	Long	Short	Bullish	Long	Short	Bullish	Intrest	
01/17/12	401	76,396	138,941	35%	175	253,940	166,018	60%	35,816	61,193	37%	443,914
01/24/12	416	85,774	145,157	37%	163	258,171	177,319	59%	37,768	59,237	39%	464,863
01/31/12	401	92,543	134,404	41%	178	261,330	196,656	57%	34,619	57,432	38%	469,173
02/07/12	403	86,350	128,032	40%	187	255,104	194,177	57%	37,760	57,005	40%	458,559
02/14/12	399	86,991	139,884	38%	180	251,767	179,296	58%	38,090	57,668	40%	449,066

Source: CFTC - www.cotpricecharts.com

Corn COT



Charts compiled by Software North LLC <http://cotpricecharts.com/commitmentscurrent/>

--- Large Speculators ---				----- Commercial -----				-- Small Speculators --				Open
#	Long	Short	Bullish	#	Long	Short	Bullish	Long	Short	Bullish	Intrest	
01/17/12	521	333,795	134,867	71%	492	560,119	654,271	46%	144,290	249,066	37%	1,205,421
01/24/12	532	329,958	150,504	69%	499	566,561	640,638	47%	142,440	247,817	36%	1,214,461
01/31/12	513	344,682	132,518	72%	515	578,157	678,269	46%	126,607	238,659	35%	1,235,541
02/07/12	517	362,429	133,841	73%	504	585,652	695,794	46%	130,148	248,594	34%	1,278,749
02/14/12	545	363,551	137,710	73%	502	611,398	712,531	46%	126,278	250,986	33%	1,315,896

Source: CFTC - www.cotpricecharts.com

[Where to from here?]




Dust storm, Texas, 1935 (George E. Marsh Album)

- Terrible weather events are common throughout history.
- Saxo Bank included the doubling of wheat in 2012 among its “Outrageous Predictions”, noting that:
“...with 7 billion people on the earth and money printing machines at full throttle bad weather across the world will unfortunately return and make it a tricky year for agricultural products.”

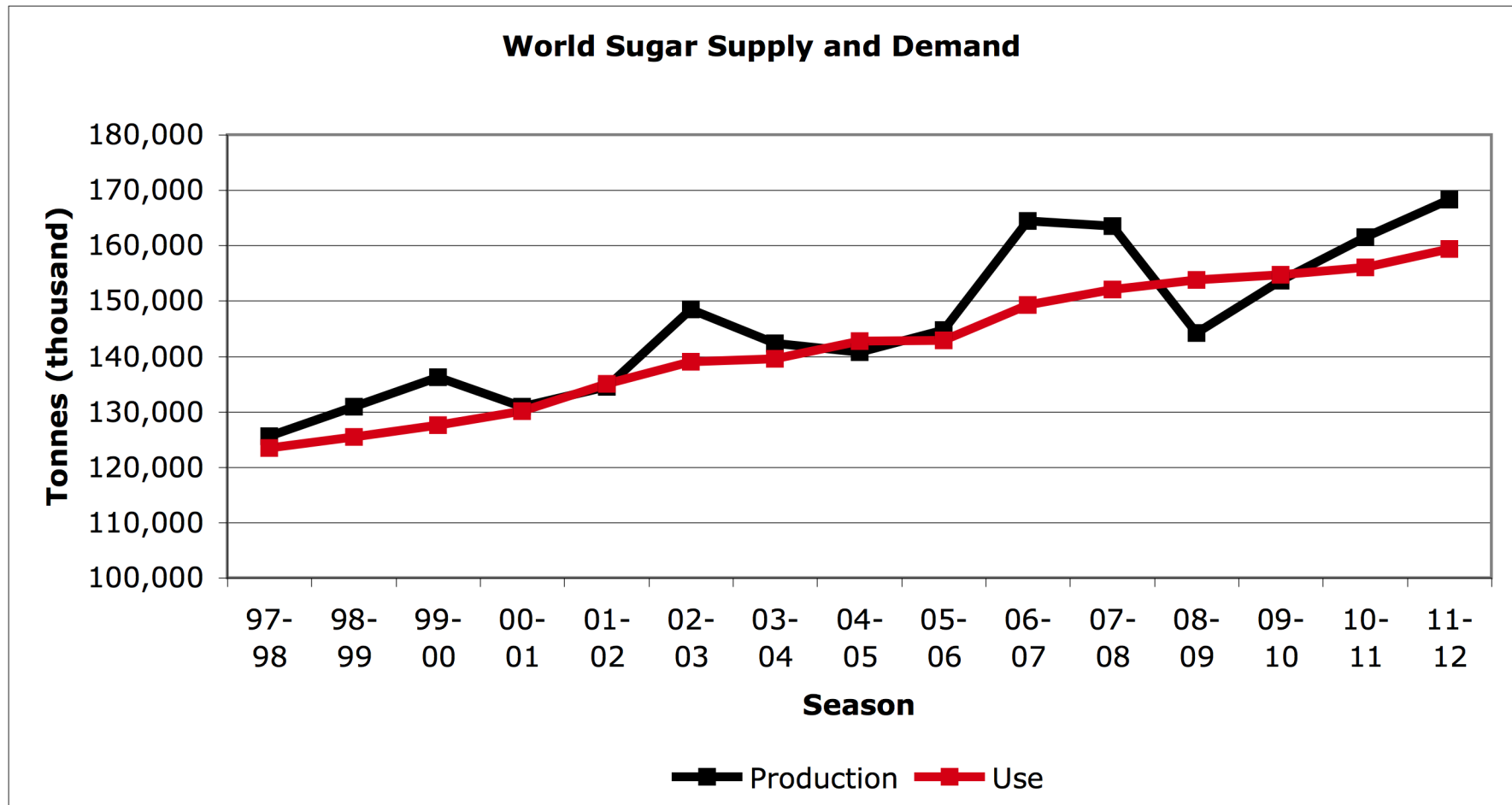
[How to play the market]

- Make the most of volatility:
 - In periods of high vol., sell puts or put spreads;
 - In periods of low vol., buy calls or call spreads.
 - More risk being short than being long.



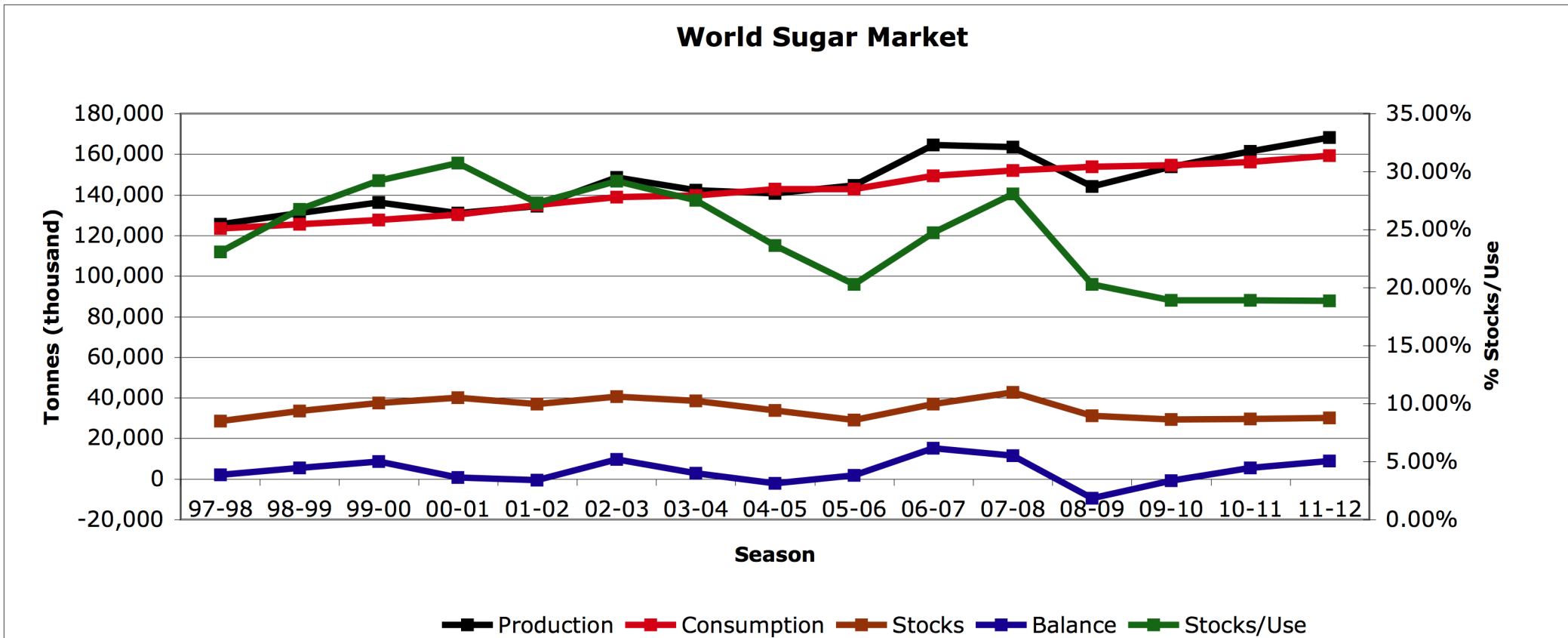
Sugar

Sugar Supply & Demand



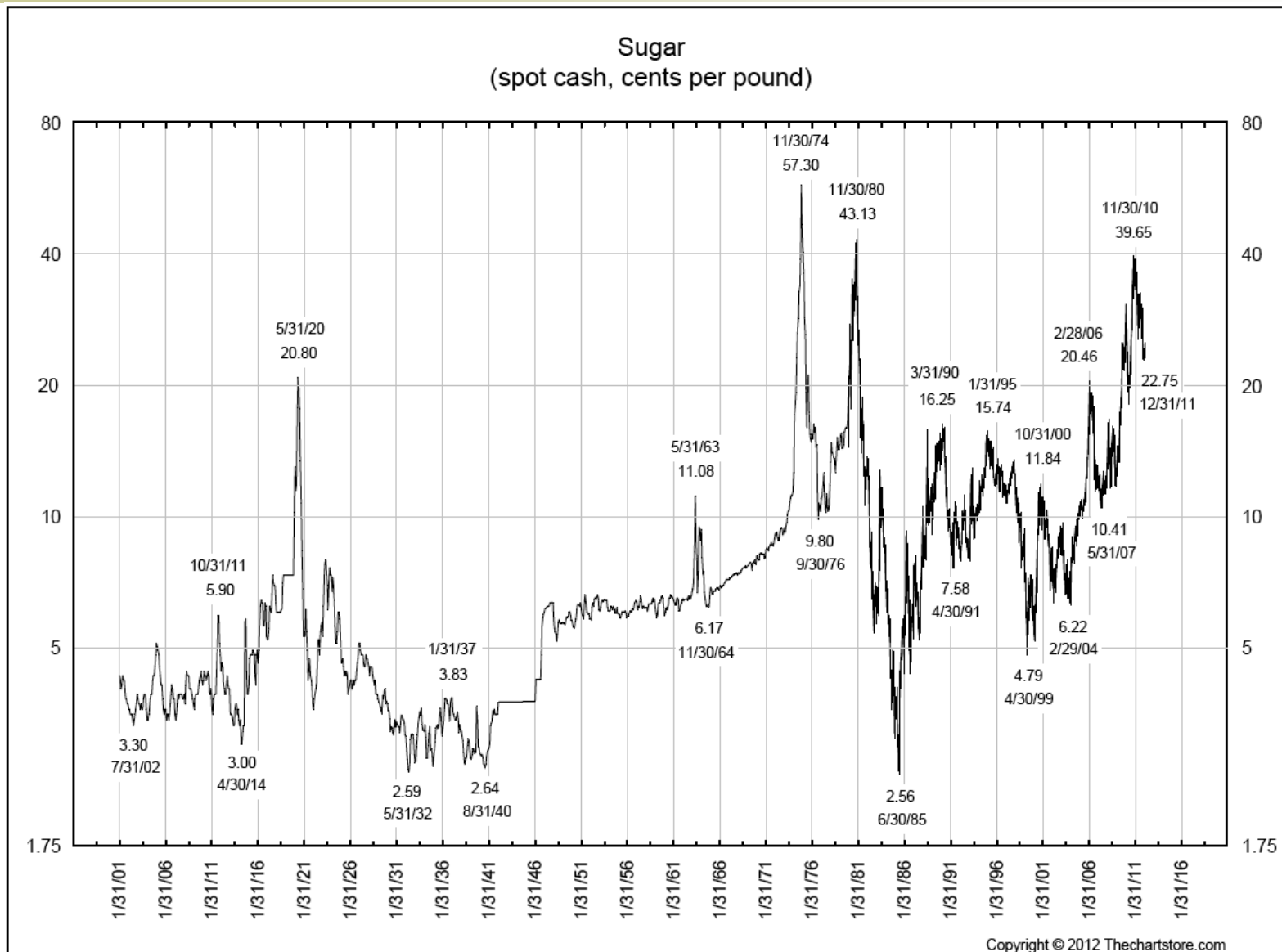
Source: USDA Foreign Agricultural Service

Sugar Market Indicators

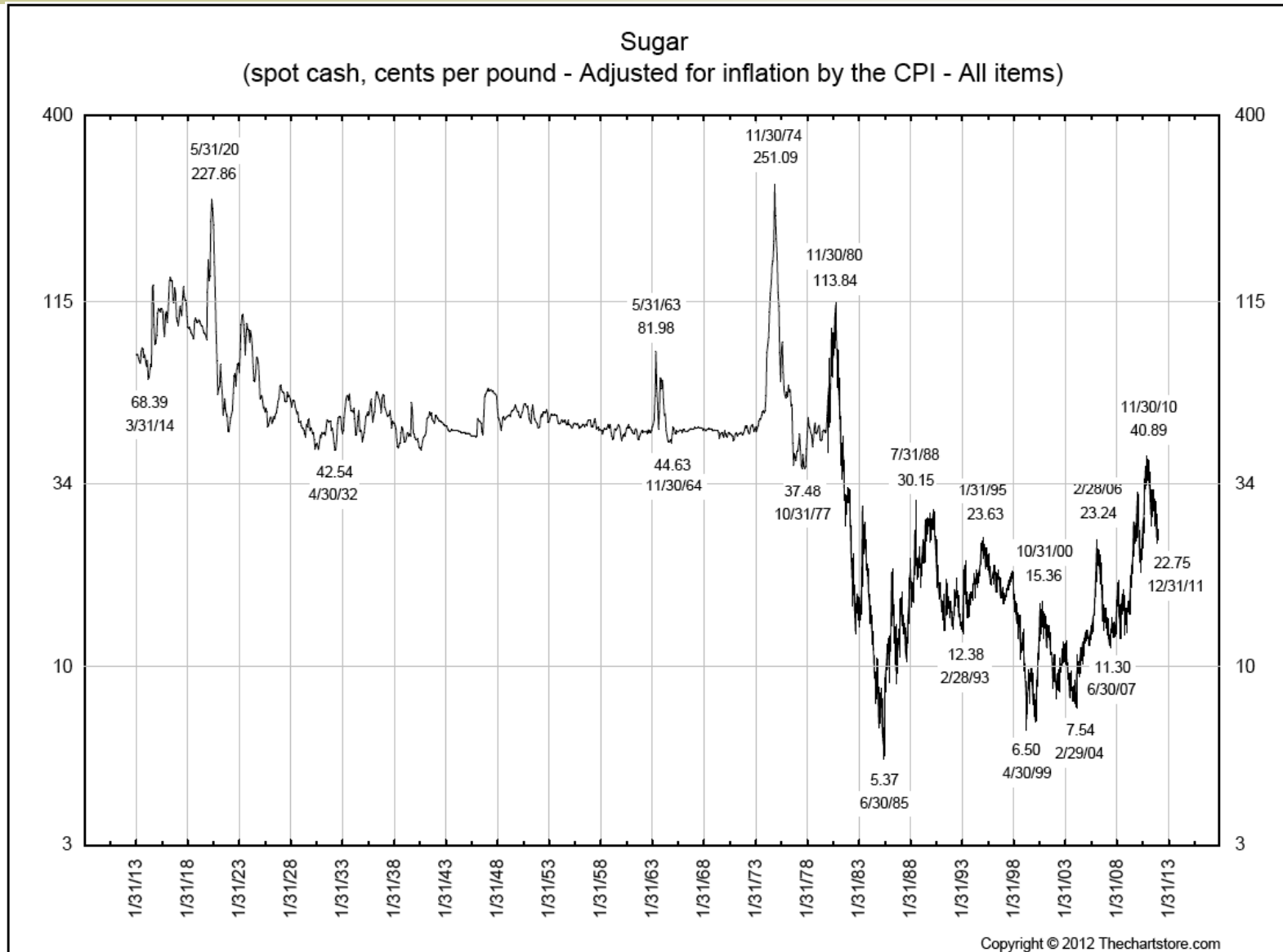


Source: USDA Foreign Agricultural Service

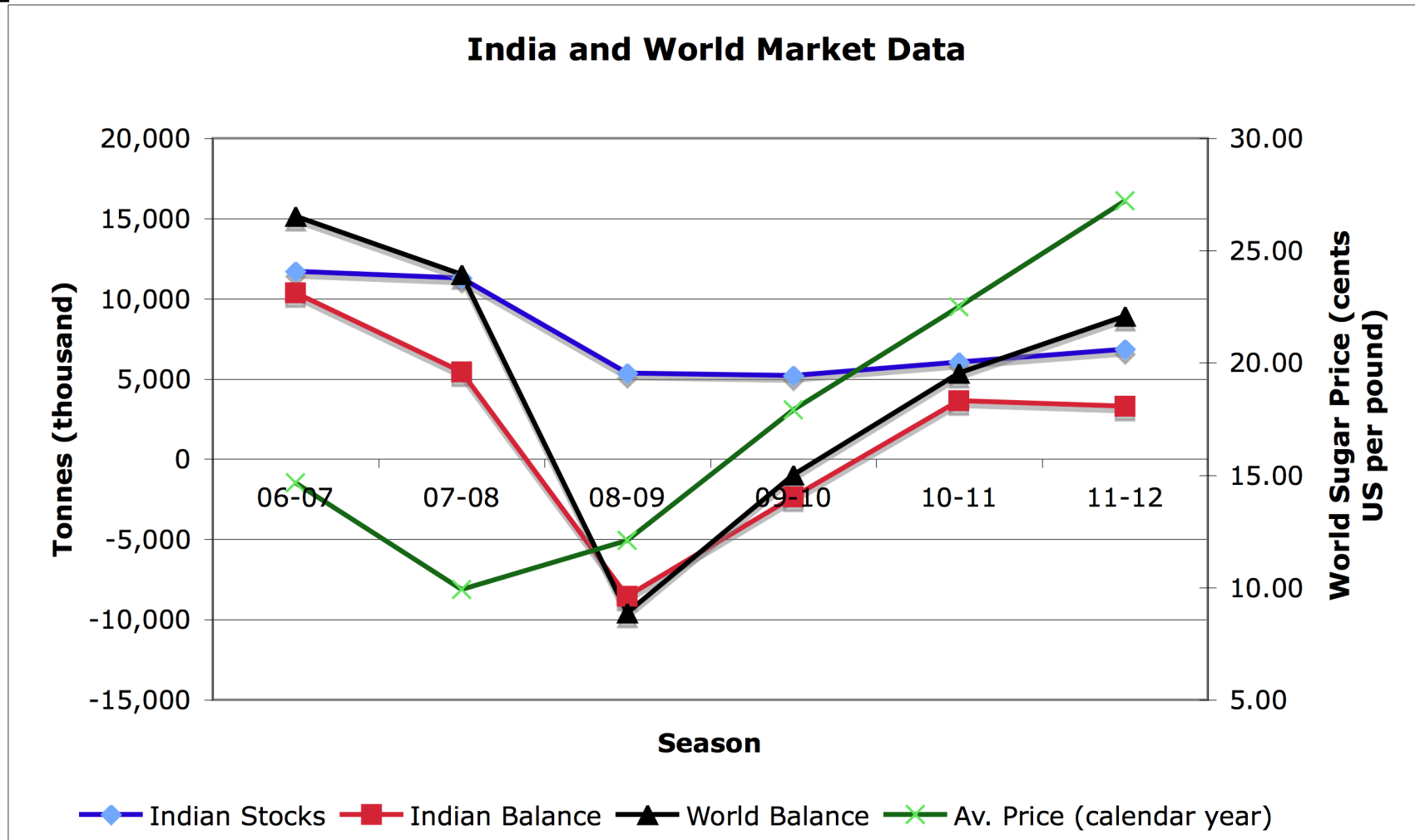
Spot Prices 1901 - present



Adjusted for inflation



India - driving market imbalances

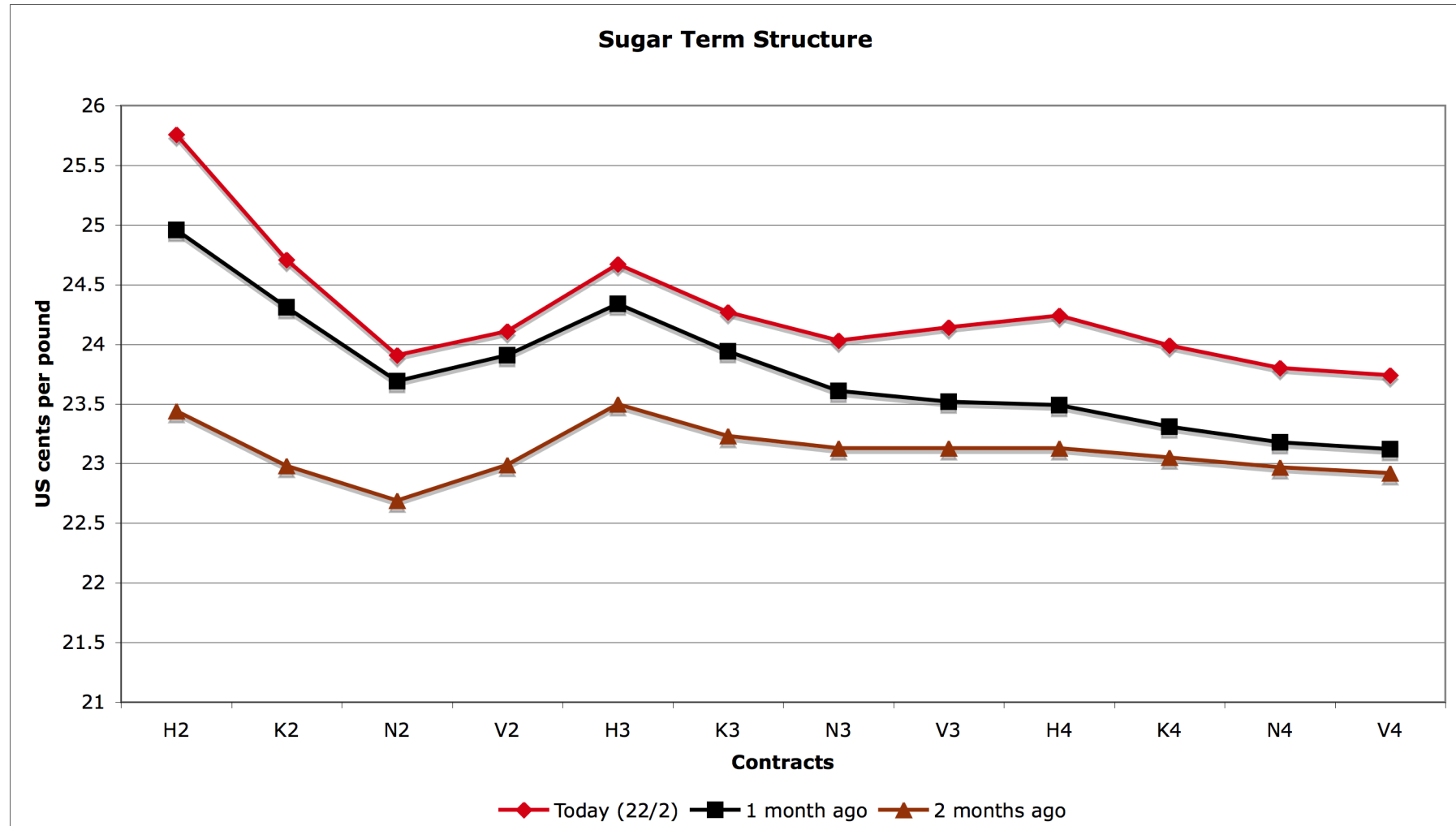


Source: USDA Foreign Agricultural Service, Intercontinental Exchange

[Brazil - costs on the rise]

- Brazil is the world's lowest-cost producer of sugar.
- Czarnikow estimates that:
 - Production costs in Brazil currently around 19.3 cents per pound (other estimates are higher).
 - Costs will rise 80% to 35 cents per pound by 2030, after already having doubled since 2000.
 - Brazil will have to invest \$340 - 490 billion in the next 20 years to meet demand.

Backwardation shows prices could appreciate further



Source: Intercontinental Exchange

[How to play the market]

- Backwardation helps with rolling futures positions.
- Current ICE October futures contract (SBV2) is about 15% above Brazilian costs, a reliable guide to fundamental support levels.

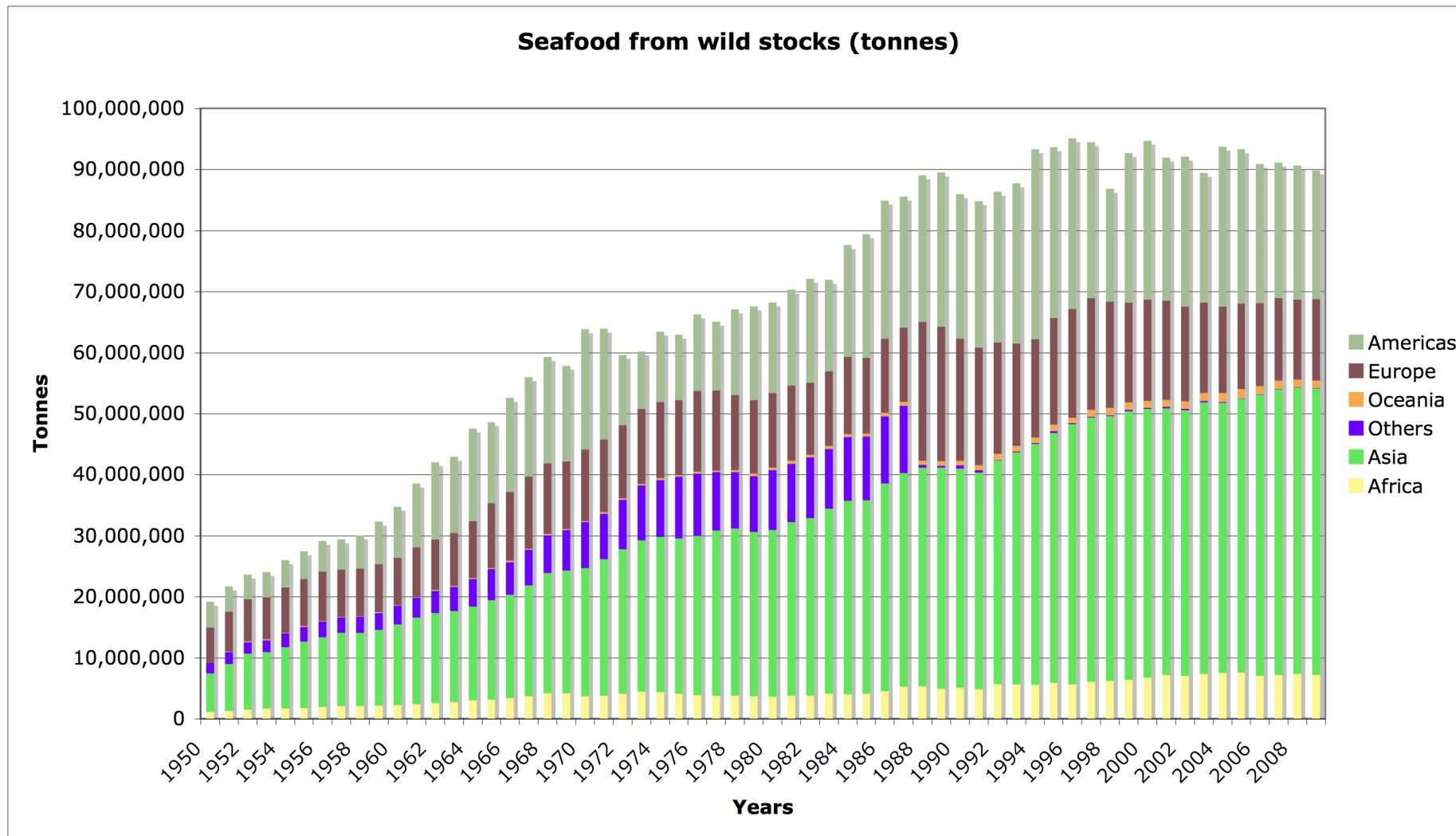


Seafood

[Why seafood?]

- The only human food still sourced mainly from wild stocks.
- Overfishing is a real concern - a modern-day example of the “tragedy of the commons”.
- Aquaculture seems to be the only way forward.

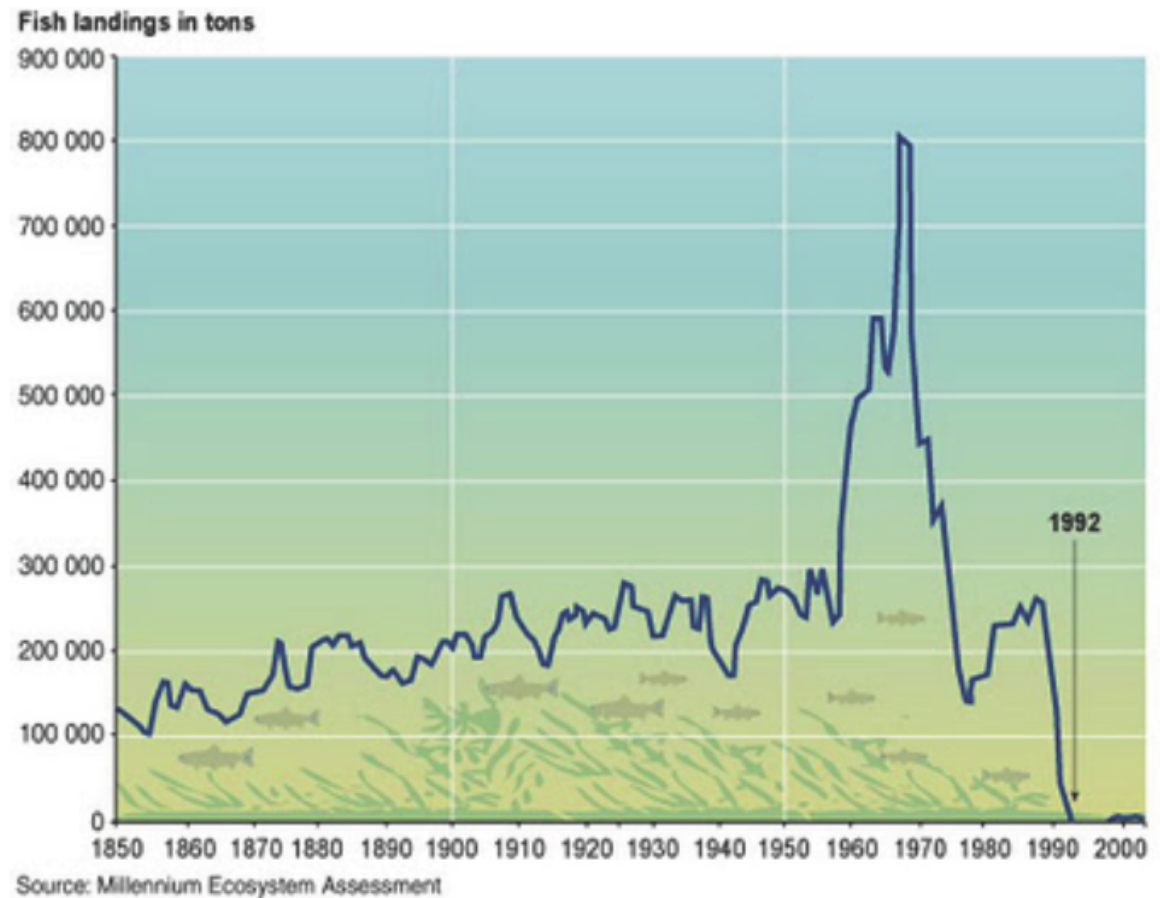
Seafood harvested from wild stocks



Source: FAO Fishstat

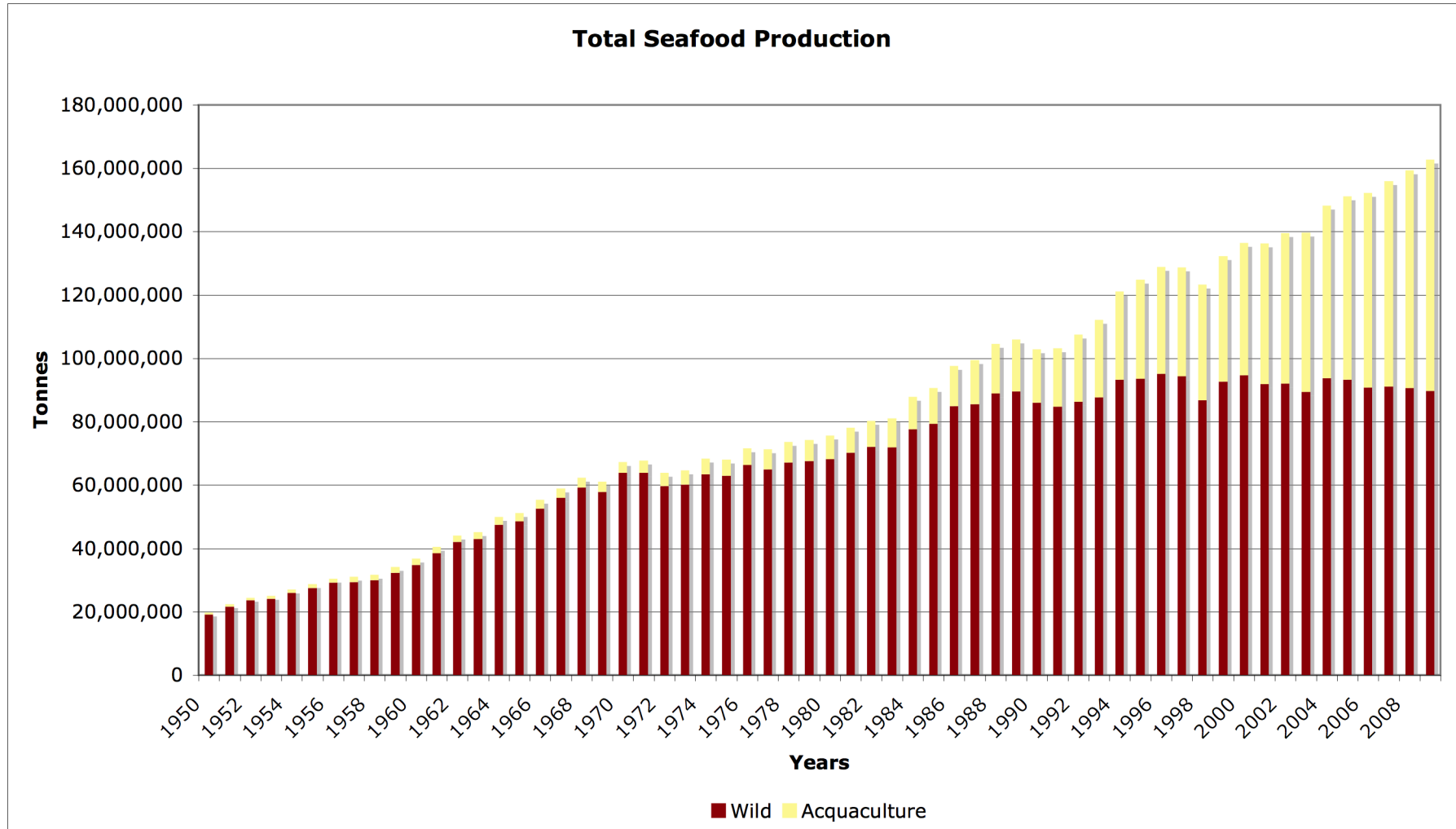
[Wild stock harvesting]

- Even with huge population growth and rising incomes in emerging markets, wild stock harvesting has decreased 5.6% since 1996.
- The risk of collapsing fish stocks is very real (e.g. Newfoundland Cod).



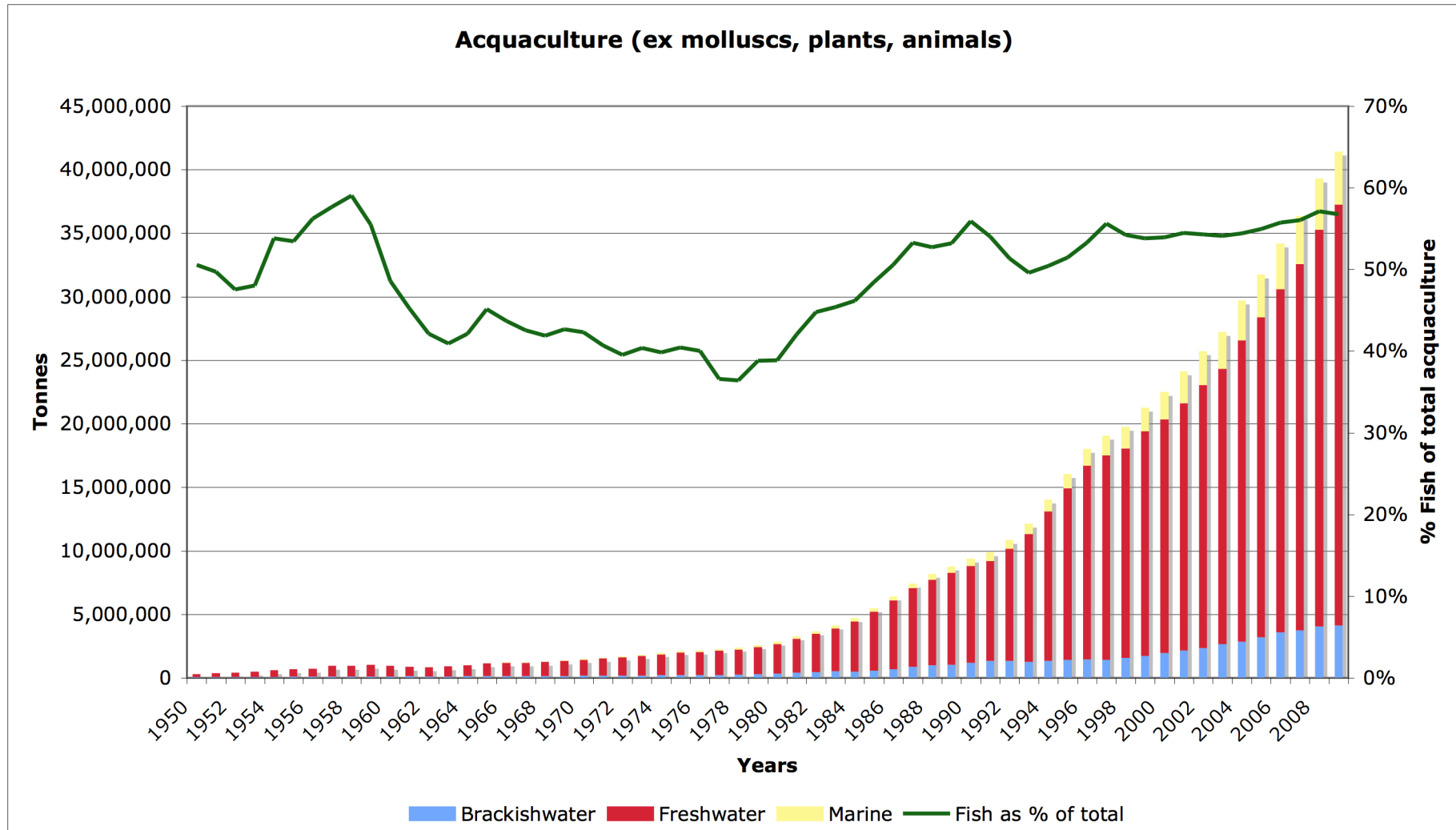
Newfoundland Cod landings 1850 - 2005

The rise of aquaculture



Source: FAO Fishstat

But fish is only 50% of total

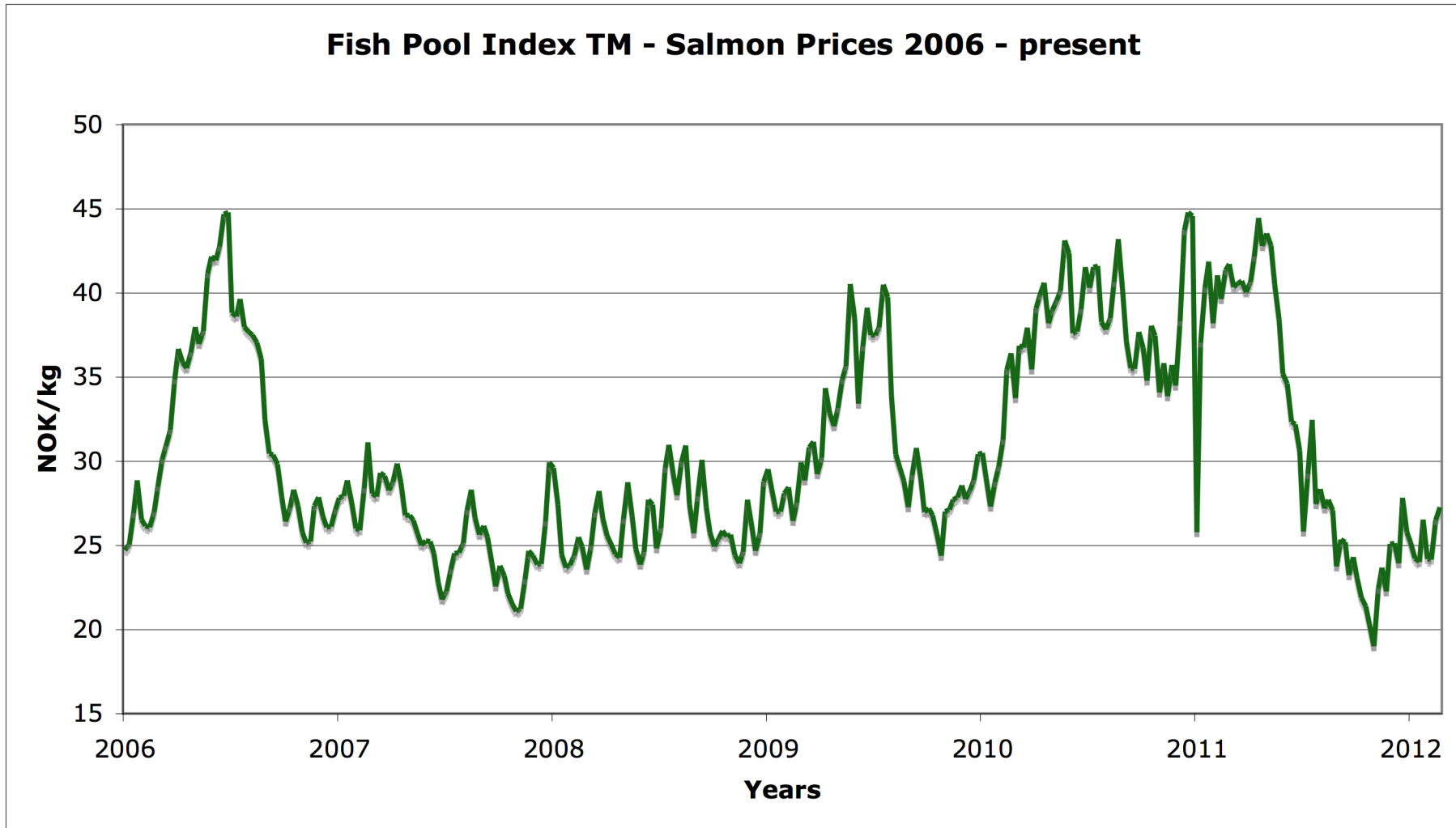


Source: FAO Fishstat

[How to play the market]

- Salmon is the largest farmed fish in the world.
- Norway is the leading producer.
- Fish Pool (fishpool.eu) offers derivatives on Norwegian salmon.
- Numerous listed companies to choose from.

Fish Pool Index



Source: Fish Pool

[Salmon/Fishmeal Producers]

- Salmon producers are currently in a valuation trough (AUSS NO)
- The call on future growth in fish farming could be fishmeal and fish oil (COP NO)
- Disclosure: Analyst is a shareholder in AUSS NO (Austevoll Seafood)

[Disclaimer]

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