



LOOK GLOBALLY FOR INFLATION, NOT TO US: MIXED

June 25 2008

Inflation watchers should look at crop prospects throughout the world, not just in the US, where weather has been disruptive. Overall, the main crops have had better growing conditions than 2007. This means prices may fall if fundamental stocks-to-usage ratios are the main drivers. Our sense is that the biggest gains are over and food price pressures should ease in the second half of the year as 'normal' northern hemisphere harvests come in. Do not be unduly influenced by US weather.

Main Monthly Movers? Foodstuffs Again Lead

- Up 50.6% y-o-y vs Softs at 41.1%
- Grains Lead: Up At 81.8% Though Rice, Wheat Falling
- Edible Oils Robust: Up 52.4%
- Fibres, Raw Materials Also Solid
- Precious Metals Halted Last Month: Down 0.9% m-o-m
- CRB Index Down 3% m-o-m Though At 13.8% y-o-y

Energy: Ever Higher?

- Saudi Increase Little Impact? Oil Steady in \$130s
- Gas Mirroring Oil: Up 82.1% y-o-y
- Bottlenecks Push Thermal Higher: Up 133.9% y-o-y

Metals: Base Metals Down

- Base Metals Fall 2.8% y-o-y, 5.2% m-o-m
- Lead, Nickel and Zinc Down 26.1%, 40.2% and 45.4%
- Tin Down 6.4% m-o-m Though Up 64.4% y-o-y

Softs/Tree Crops: Foods Grow Strongest

- Cotton Up 5.7% m-o-m, Now Up 25% y-o-y
- Rubber Strong Too: Up 34.5% y-o-y
- Cocoa Up 63.6% y-o-y And 24.5% m-o-m
- Only Orange Juice, Softwoods Down

Data To Watch: In June

- Burma Rice
- Summer Crops Planting
- Latin American Soy Harvest

Price Outlook*				
		2006	2007	2008
Wheat	\$/bushel	4.43	7.45	5.29
% chg		35.8	68.0	(29.0)
Stocks-To-Usage	Days	74.6	65.4	74.7
% chg		(14.1)	(12.4)	14.2
Rice	\$/tonne	317	550	420
% chg		8.2	73.5	(23.6)
Stocks-To-Usage	Days	65.4	66.5	70.5
% chg		(1.4)	1.7	6.0
Corn	\$/bushel	3.66	5.35	6.50
% chg		86.3	46.3	21.4
Stocks-To-Usage	Days	51.9	55.9	46.4
% chg		(17.6)	7.7	(16.9)
Soybeans	\$/bushel	6.42	11.32	11.88
% chg		21.4	76.4	5.0
Stocks-To-Usage	Days	97.6	75.1	75.0
% chg		13.1	(23.1)	(0.2)
Rapeseed	\$/tonne	852	1,446	1,330
% chg		10.6	69.7	(8.0)
Stocks-To-Usage	Days	35	21	21
% chg		(21.4)	(41.7)	1.6
Cotton	c/lb	59.04	76.00	97.28
% chg		3.5	28.7	28.0
Stocks-To-Usage	Days	189	182	153
% chg		0.9	(3.8)	(15.7)
Sugar	c/lb	11.80	10.09	14.63
% chg		(25.3)	(14.5)	45.0
Stocks-To-Usage	Days	94.65	103.28	92.90
% chg		24.9	9.1	(10.1)
Coffee	c/lb	111	130	98
% chg		7.4	17.8	(25.0)
Stocks-To-Usage	Days	57	36	49
% chg		4.6	(36.6)	36.2
Cocoa	\$/tonne	1,729	2,312	3,690
% chg		17.2	33.7	59.6
Stocks-To-Usage	Days	158	151	145
% chg		12.1	(4.3)	(4.3)

* Marketing years

Sources: USDA, ICO, Research-Works

Recommendations

- Gold
- Cocoa
- Cotton

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