

InvestorIntel decrypts the market trend of some key commodities: agbusiness, uranium and gold

Agbusiness:

It is not only the growing world population's hunger that is driving the prices of wheat, corn, soybeans and other agricultural products and the OECD expects for years with rising agricultural prices. The main role affecting prices is played by soy, sugar, corn and wheat. Modern food production would not be sustainable without the use of mineral derived fertilizers from potash to phosphate, given the quantities that are needed. Potash helps the soil retain water, while making crops more flavorful and resistant to disease. It is estimated that more than a third of the world's current food production would not be possible; as the world population expands, therefore, potash will become even more important in order to match food production with demand. Economic growth in China and India and a resulting change in the diet toward more meat (meaning more animal feed) and carbohydrates have led to a sharp increase in potash. The fertilizer producer K+S is recovering from the slump in the market in 2013 faster than expected.

Potash prices have recovered faster than the most optimistic expectations (and InvestorIntel was decidedly in the bullish camp). PotashCorp, (NYSE: POT) one of the world's largest potash producers expects worldwide demand for the mineral to remain at least as high in 2015 as in the previous years, while K+S (DE: SDF) in Germany, which almost collapsed in the wake of shockwaves of Russia's Uralkali's pullout from the BPC consortium with Belarusian state concern Belaruskaly in July

2013, has announced a 16% increase in operating profit last week with shares rising over 6% in Frankfurt trading. Farmers' demand for potash is strong.

Agricultural commodities include a wide variety of inter-related products ranging from the food we eat to the products needed to facilitate their production from fertilizers such as potash, nitrogen and phosphate and even land. Indeed, the growing global contest between urban sprawl and agricultural land risks lowering rather than raising living standards for different populations, causing damage to habitats and entire ecosystems. Yet, the world's population continues to grow and land productivity has become a crucial issue, given the ever increasing demand for food. Changing dietary habits in developing countries, where people are consuming more meat, and the rising popularity of bio-fuels and distribution of biofuels require more land devoted to agriculture and far greater efficiency to maximize yields and the quality of harvests. Biofuel production has started to impinge on the production of food for the poor: 40% of the corn produced in the US, 50% of the sugar beet grown in Brazil and 80% of the sunflower produced in Europe are used by the biofuels sector.

Food security is the key to our future. In 2050, there will be nine billion people inhabiting the earth and the problem of how to ensure safe and healthy food to a growing world population is one of the greatest challenges for the coming years. While this problem has generated a worldwide debate over the search for solutions from how to deal with basic food needs, fighting hunger even as the public and private sectors must to work in harmony to ensure better economic, social and environmental agricultural development models, there are tremendous opportunities. Agricultural products have become ever more expensive and there are excellent opportunities for investors. Milk is more expensive – now everyone knows how much agricultural commodities are on the rise.

Uranium & Nuclear Energy

Japan's decision to restart two nuclear reactors has woken up uranium prices from their slumber. On November 6, uranium enjoyed a 4.5% increase in spot prices, the largest daily increase since the Fukushima disaster of 2011, which had condemned all Japanese plants to be shut down, adding a setback to the global nuclear industry. Kagoshima Prefecture signaled a green light to restart two reactors at Sendai while Russia has agreed to build two new reactors in Bushehr, Iran. And Australia is preparing to sell nuclear fuel to India. For several days, sales of uranium concentrate have increased on the spot market and there has been a rush to buy, especially in the USA, fueled by an effort to avoid delays in resupply lest prices rise further. Fears of a global uranium surplus have proven premature and the price per pound of uranium concentrate is not likely to relapse. It is now worth USD\$ 39, 50% more than before the summer on the spot market, USD\$ 45 on the market long term. Uranium mining companies have benefited from the spot price increases from Canada to Australia and even in France where Areva stock has also improved after a reporting season of problems driven by bad results this year. Uranium producers decreased their production by 11% while there has been a lower availability of recycled uranium fuel supply.

Gold, Base & Precious Metals

Global consumption of gold has declined slightly in the third quarter 2014, with a decline of 2%, which nevertheless masks regional disparities, according to the recently issue of the World Gold Council (WGC) quarterly report. Notably, while demand has dropped in China – many believe that personal purchases of gold ingots and jewelry has sharply declined due to the zeal of fiscal authorities controlling illicit earnings and corruption – it has increased in India. Together, India and China are the major gold consumers in the world. India's demand increase is the product of a strong appetite for jewelry (+ 60%) despite of the introduction of restrictive

measures on the import of gold in the country. There is also an optimism in India that has been missing from the main economic outlook of the past few years; in India, people think that economic growth will improve, which has encouraged to spend a little more.”

Chinese demand is still acceptable and it remains key pillar of global demand for gold, and it seems that India and China switch their position as world's largest gold consumers from time to time. It was in 2014 that China became the world's largest consumer of gold from, overtaking India only to relinquish the rank now. Central banks, for their part remained net buyers of gold for the 15th consecutive quarter. Russia has continued to boost its reserves during the last quarter by 55 tons, reaching a total of close to 1,150 tons at the end of September. Moreover, there are signs of a bullish – or at least a least bearish one – inversion of the recent down trend for gold and even silver. Last Friday both precious metals proved to be resilient in the face of another increase in the US Dollar, suggesting a longer term rebound, which could see gold quickly resuming a price in the order of USD\$ 1,200/oz. or higher as early as this week.