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Agricultural Outlook Forum
U.S. Department of Agriculture

February 21-22, 2008

Influence of Managed Money on Agricultural Commodities

Lonn Taffel



Influence of Managed Money on Agricultural Commodities

Presented by: **Lonn Taffel**



Under the Influence.. Of Money

- Market heavily influenced by managed/spec money
- Massive flow of managed money into commodities since 2002
- Fundamental influence greatly diminished



Hedge

Index

Traditional

*Types of
Commodity
Funds*



Traditional Funds

First surfaced
during mid 80's

Estimated
invested funds
around \$160-
\$180 bln dlrs.

Largely technical,
tend to move
together

Reported as Non
Commercial on
CFTC report



COMMITMENT OF TRADERS 02/15/08

NET POSITIONS (AS OF 02/12/08)

	COMMERCIAL				NON-COMMERCIAL (FUND)				NON-REPORTABLE (SPEC)			
	12-Feb	5-Feb	29-Jan	22-Jan	12-Feb	5-Feb	29-Jan	22-Jan	12-Feb	5-Feb	29-Jan	22-Jan
WHEAT												
Chicago	1342	4401	2751	-3979	19717	24701	19101	24156	-21059	-29102	-21852	-20177
Kansas City	-29517	-25613	-24778	-25370	41453	37673	37030	38065	-11936	-12060	-12252	-12695
Minneapolis	-8206	-10285	-11459	-14467	10225	10277	11640	14402	-2019	-64	-181	65
All Wheat	-36381	-31497	-33486	-43816	71395	72651	67771	76623	-35014	-41226	-34285	-32807
CORN	-253140	-240553	-219931	-214866	356258	342906	331424	334678	-103118	-102353	-111493	-119812
OATS	-4131	-4048	-4346	-4508	1954	1801	1992	2026	2177	2247	2354	2482
SOYBEANS	-113953	-117301	-108117	-108790	152362	154193	147989	145130	-38409	-36892	-39872	-36340
SOY OIL	-54220	-53962	-53874	-64684	38586	35072	38641	47386	15634	18890	15233	17298
SOY MEAL	-69891	-66563	-62659	-69212	48906	44566	41638	48144	20985	21997	21021	21068



Index funds are

- Large pools of money, track indices such as CRB or GSCI
- Computer/passively managed
- Based on monthly closing prices of fixed weight portfolio
- Invested funds presently estimated at \$160 bln dtrs vs. \$10-15 bln in 2002



Characteristics of Index funds

- Based on basket of commodities
- Always long
- Unleveraged – T-Bill
- Re-weighted 1-2 times per year
- Frequently re-balanced



GSCI Components and Dollar Weights as of Feb 19th

Energy	72.11	Industrial Metals	7.81	Precious Metals	2.21	Agriculture	14.55	Livestock	3.32
Crude oil	37.77	Aluminum	2.55	Gold	1.94	Wheat	4.71	Live Cattle	1.94
Brent Crude Oil	13.51	Copper	3.25	Silver	0.27	Red Wheat	1.12	Feeder Cattle	0.38
RBOB Gas	4.61	Lead	0.54			Corn	3.41	Lean Hogs	1.00
Heating Oil	4.85	Nickel	0.86			Soybeans	2.44		
Gas Oil	4.74	Zinc	0.60			Cotton	0.82		
Natural Gas	6.63					Sugar	1.16		
						Coffee	0.67		
						Cocoa	0.22		

Source: www2.goldmansachs.com/gsci/

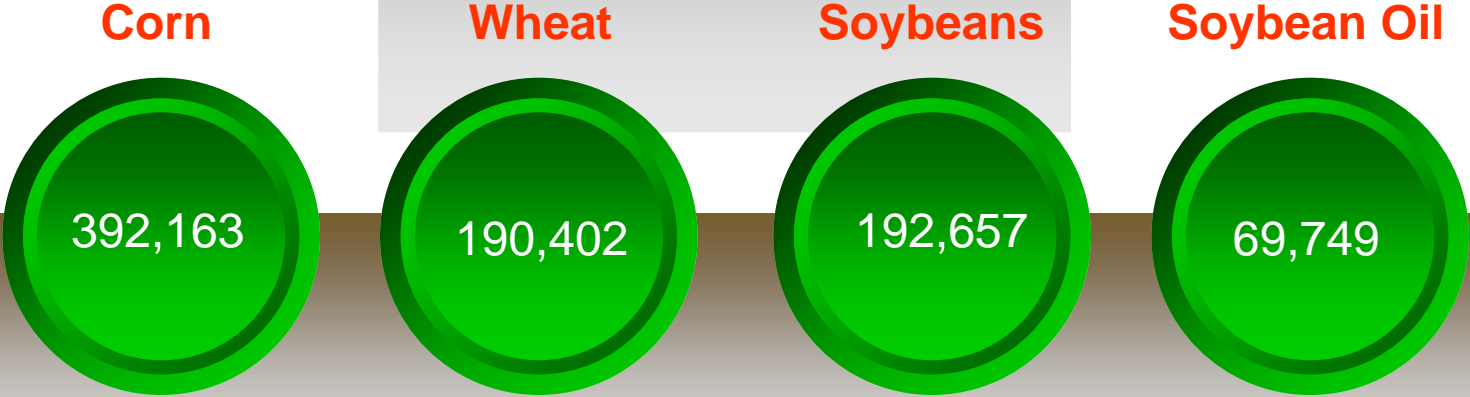


Major Players

- Goldman Sachs Commodity Index
- AIG Index Fund
- PIMCO Commodity Fund
- Deutsche Bank



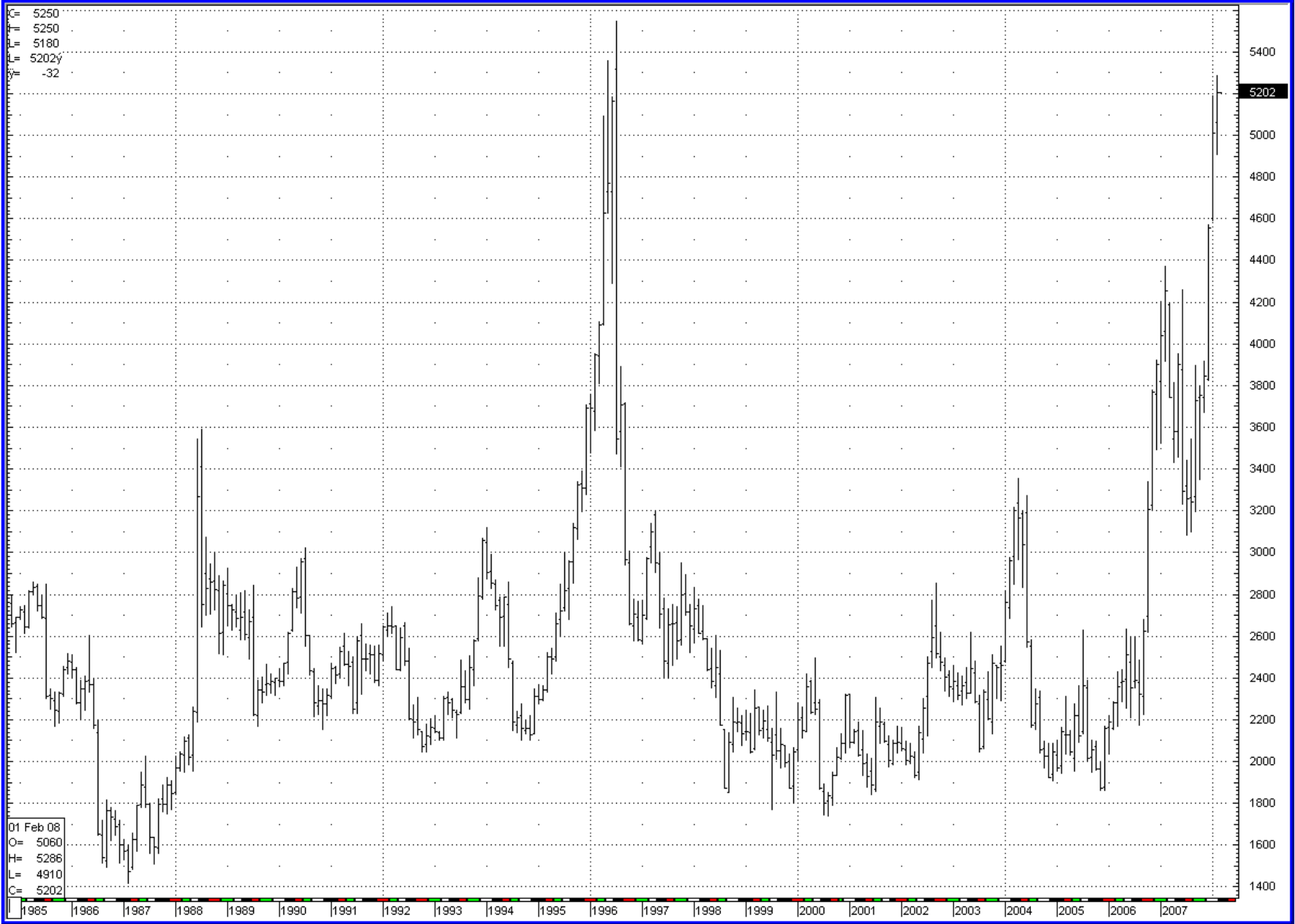
Index Fund Long Positions



S - Soybeans - Day Pit, Monthly

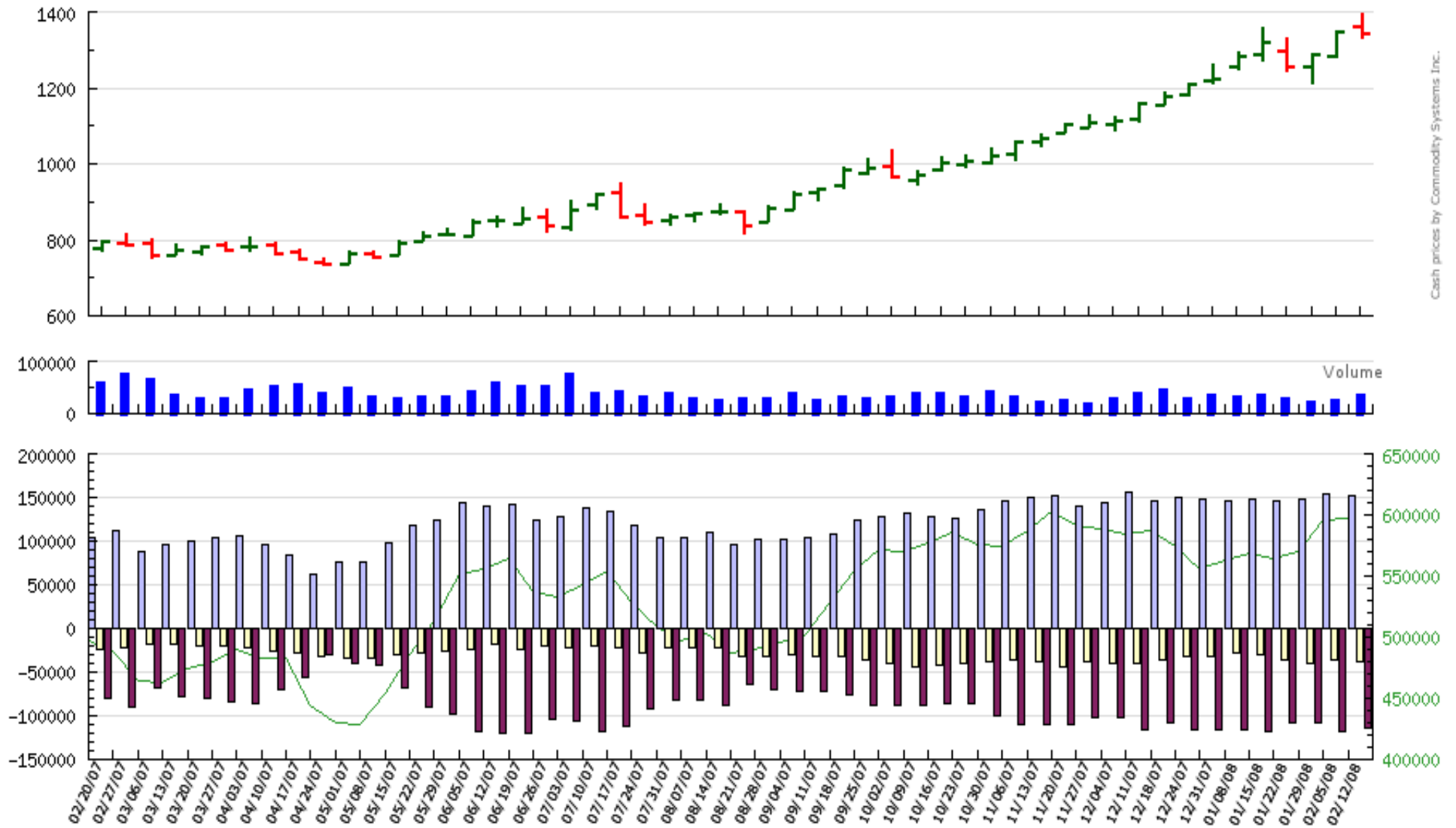


C - Corn-Day Pit, Monthly



(S,cbt) Soybeans - Net Commitments of Traders with Prices

□ Large Spec □ Small Spec ■ Commercial - Open Interest



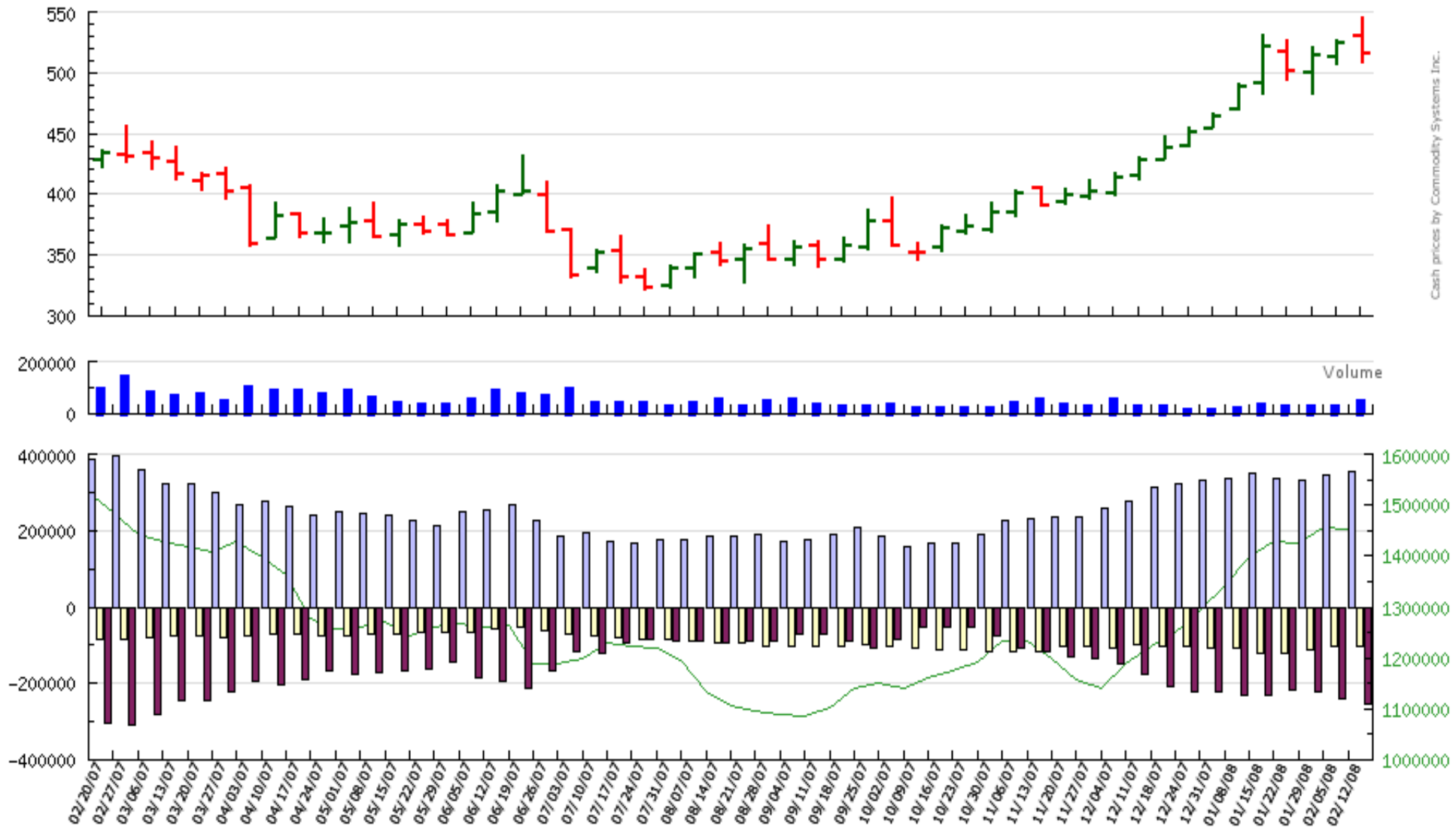
Cash prices by Commodity Systems Inc.

----- Weekly Price -----				--- Large Speculators ---				----- Commercial -----				-- Small Speculators --		Open		
Open	High	Low	Close	#	Long	Short	Bullish	#	Long	Short	Bullish	Long	Short	Bullish	Intrest	
1,273.001	1,357.751	1,269.501	1,321.25	01/15/08	370	188,930	40,897	82%	314	250,235	369,082	40%	70,957	100,143	41%	568,671
1,299.501	1,331.501	1,242.251	1,259.75	01/22/08	376	183,141	38,011	83%	309	249,679	358,469	41%	67,303	103,643	39%	564,184
1,259.251	1,289.751	1,210.001	1,289.00	01/29/08	374	182,690	34,701	84%	310	255,180	363,297	41%	62,270	102,142	38%	570,217
1,284.001	1,351.501	1,281.501	1,347.25	02/05/08	409	194,232	40,039	83%	305	252,103	369,404	41%	71,644	108,536	40%	596,086
1,361.001	1,397.501	1,329.751	1,344.25	02/12/08	416	197,116	44,754	81%	306	255,864	369,817	41%	66,143	104,552	39%	596,447

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(C,cbt) Corn - Net Commitments of Traders with Prices

□ Large Spec □ Small Spec ■ Commercial - Open Interest



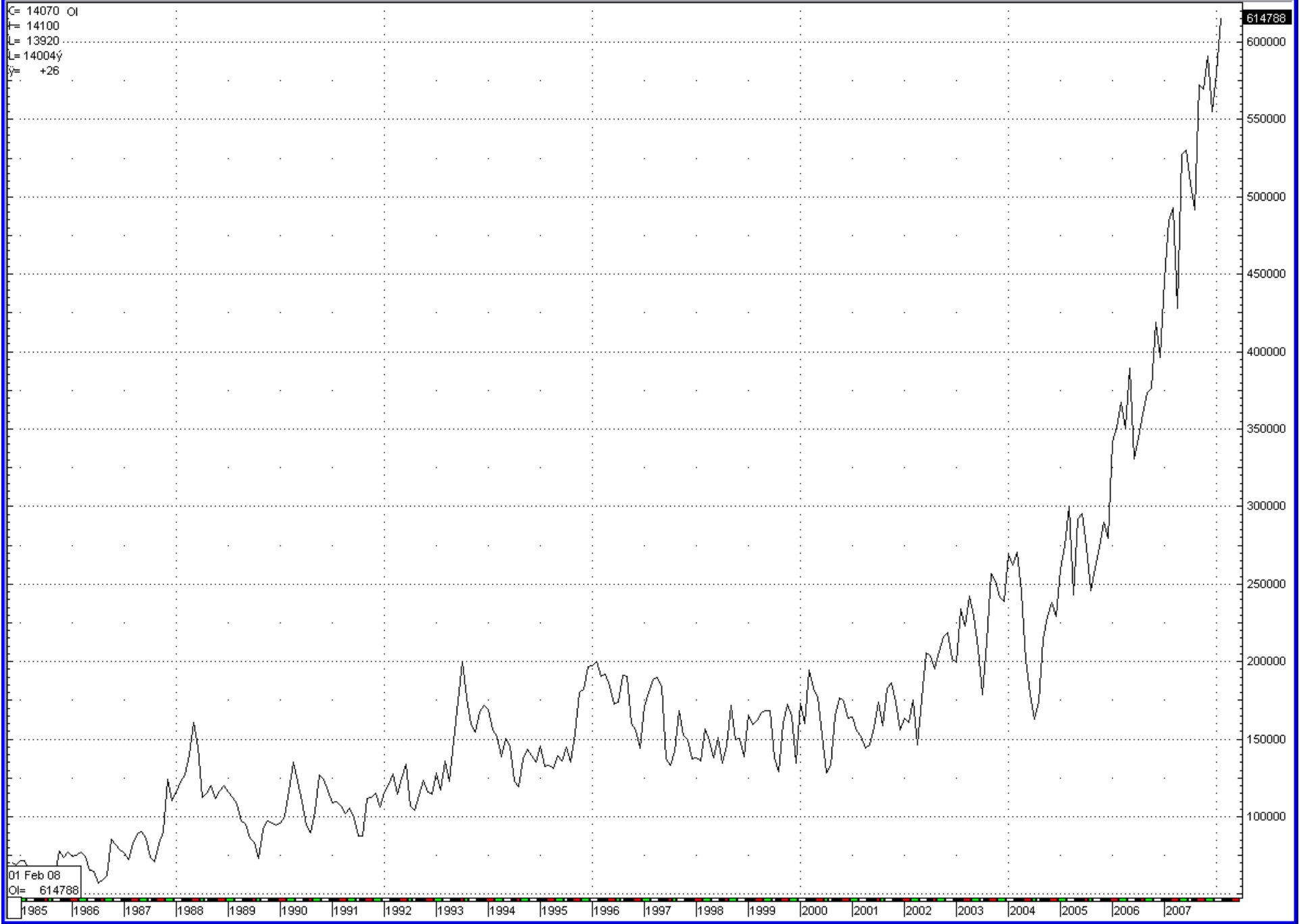
Cash prices by Commodity Systems Inc.

----- Weekly Price -----				--- Large Speculators ---			----- Commercial -----			-- Small Speculators --			Open			
Open	High	Low	Close	#	Long	Short	Bullish	#	Long	Short	Bullish	Long	Short	Bullish	Intrest	
487.00	531.50	482.75	522.50	01/15/08	500	462,866	113,277	80%	546	653,072	882,631	43%	149,755	269,785	36%	1,397,501
518.00	526.75	493.75	503.00	01/22/08	521	456,320	121,642	79%	555	668,503	883,369	43%	156,681	276,493	36%	1,429,394
500.75	521.00	483.00	515.50	01/29/08	519	444,321	112,897	80%	556	670,429	890,360	43%	158,112	269,605	37%	1,424,970
513.75	527.50	506.75	526.25	02/05/08	540	460,879	117,973	80%	571	670,039	910,592	42%	165,916	268,269	38%	1,454,562
530.75	545.25	508.25	516.75	02/12/08	528	472,503	116,245	80%	582	662,465	915,605	42%	162,540	265,658	38%	1,452,992

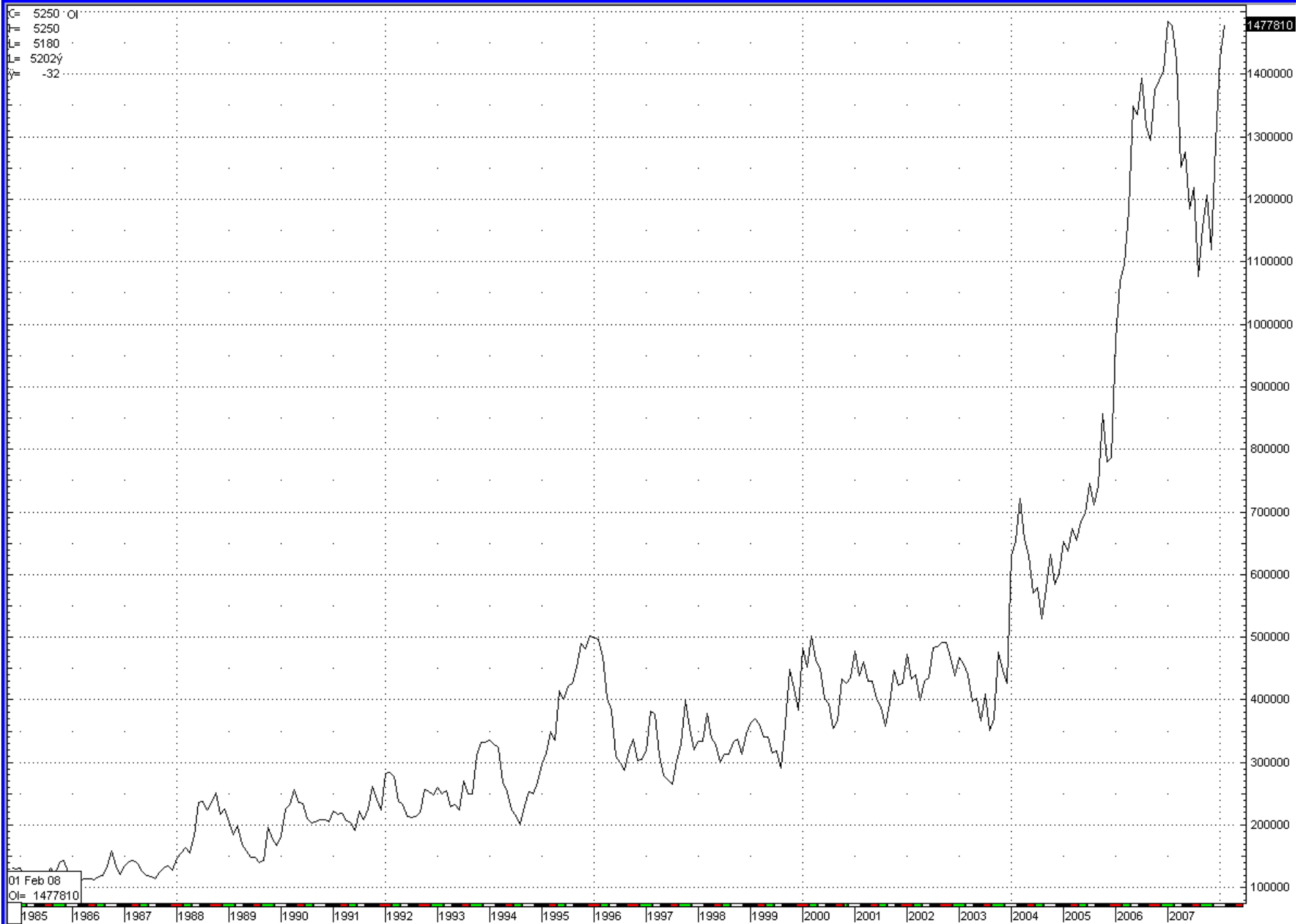
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S - Soybeans - Day Pit, Monthly

C= 14070 OI
F= 14100
L= 13920
H= 14004
Y= +26



C - Corn-Day Pit, Monthly



01 Feb 08
OI= 1477810

1477810



Thank You!

Lonn Taffel – Fortis Clearing Americas