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Agricultural Outlook Forum
U.S. Department of Agriculture

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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

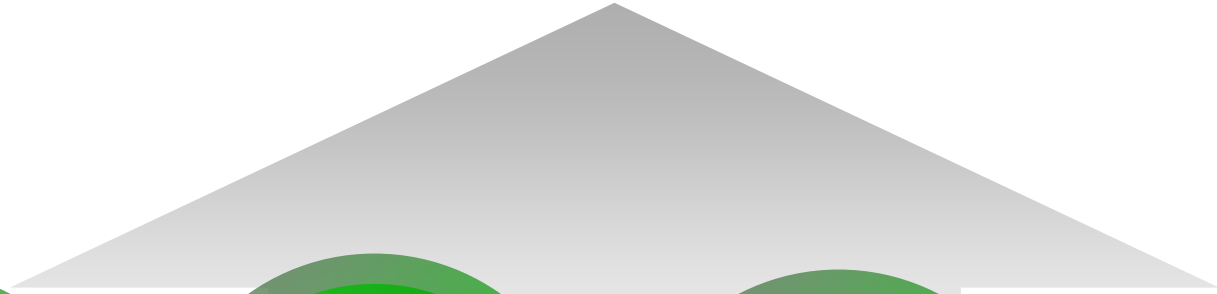
Index

Traditional

*Types of
Commodity
Funds*



Traditional Funds



First surfaced during mid 80's

Estimated invested funds around \$185 bln

Largely technical, tend to move together

Reported as Non Commercial on CFTC report



Index funds are

- Large pools of money, track index such as CRB or GSCI
- Computer managed
- Based on monthly closing prices of fixed weight portfolio
- Invested funds at the end of 2006 estimated at \$180 bln dtrs, 10-15 bln in 2002



Characteristics of Index funds

- Based on basket of commodities
- Always long
- Often re-balanced
- Re-weighted 1-2 times per year



Reuters-CRB Index

- Crude oil, Heating oil, Natural Gas (17.6%)
- Corn, Soybeans, Wheat (17.6%)
- Copper, Cotton (11.8%)
- Live Cattle, Lean Hogs (11.8%)
- Gold, Platinum, Silver (17.6%)
- Cocoa, Coffee, Orange Juice, Sugar (23.5%)



GSCI Components and Dollar Weights as of Feb 22nd

Energy	68.21	Industrial Metals	10.74	Precious Metals	2.53	Agriculture	13.46	Livestock	5.06
Crude oil	33.86	Aluminum	3.60	Gold	2.20	Wheat	3.07	Live Cattle	2.90
Brent Crude Oil	13.95	Copper	3.61	Silver	0.33	Red Wheat	1.11	Feeder Cattle	0.60
RBOB Gas	1.36	Lead	0.48			Corn	4.18	Lean Hogs	1.55
Heating Oil	5.53	Nickel	1.79			Soybeans	1.98		
Gas Oil	4.75	Zinc	1.26			Cotton	0.87		
Natural Gas	8.76					Sugar	1.28		
						Coffee	0.76		
						Cocoa	0.22		

Source: www2.goldmansachs.com/gsci/

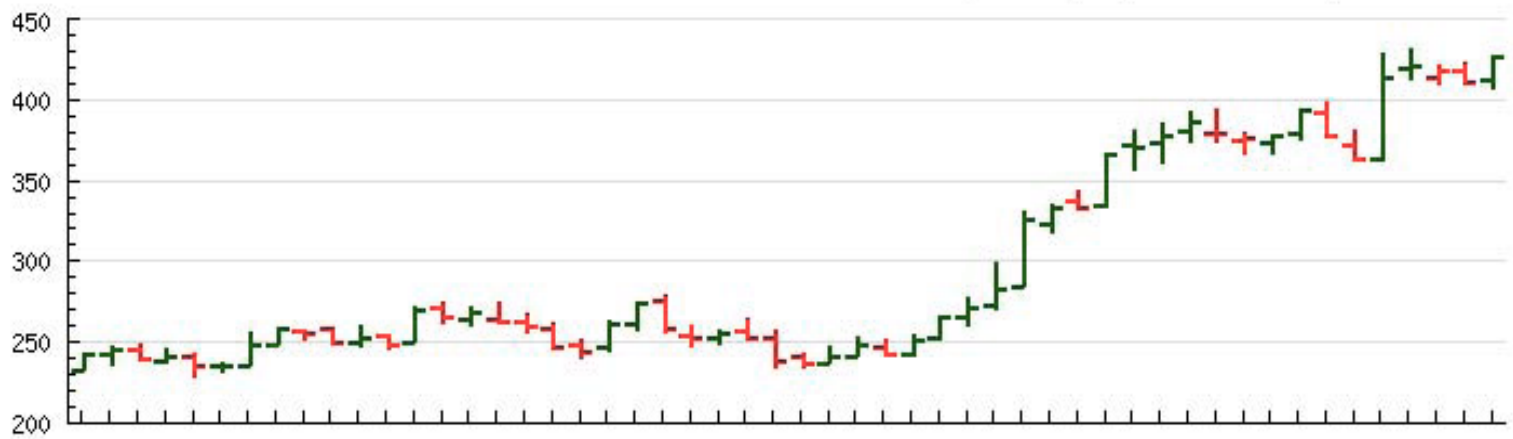


Major Players

- **Goldman Sacks Commodity Index** – Estimated investment \$110 bln dollars. Assets placed at years end and Feb.
- **AIG Index Fund** - \$15-20 bln dollars. New monies invested during the 2nd week of Jan.
- **PIMCO Commodity Fund** - \$10-15 bln dollars. New allocations - end of the year and end of each quarter.

(c,b,t) Corn - Net Commitments of Traders with Prices

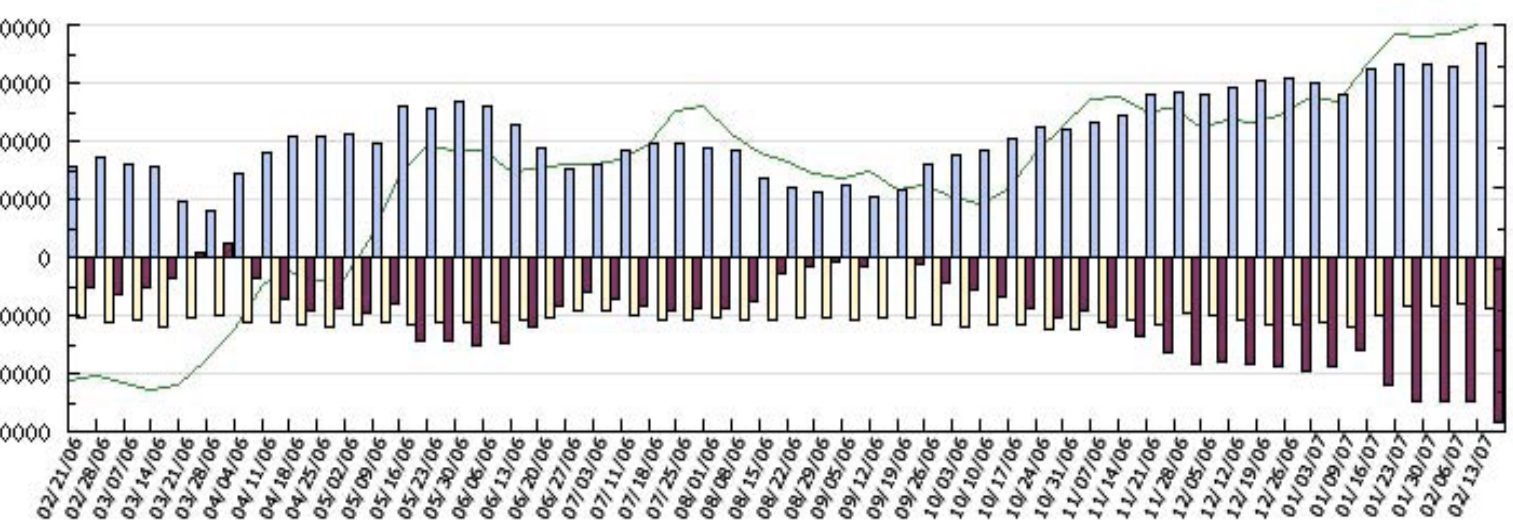
Large Spec Small Spec Commercial Open Interest



Cash prices by Commodity Systems Inc.



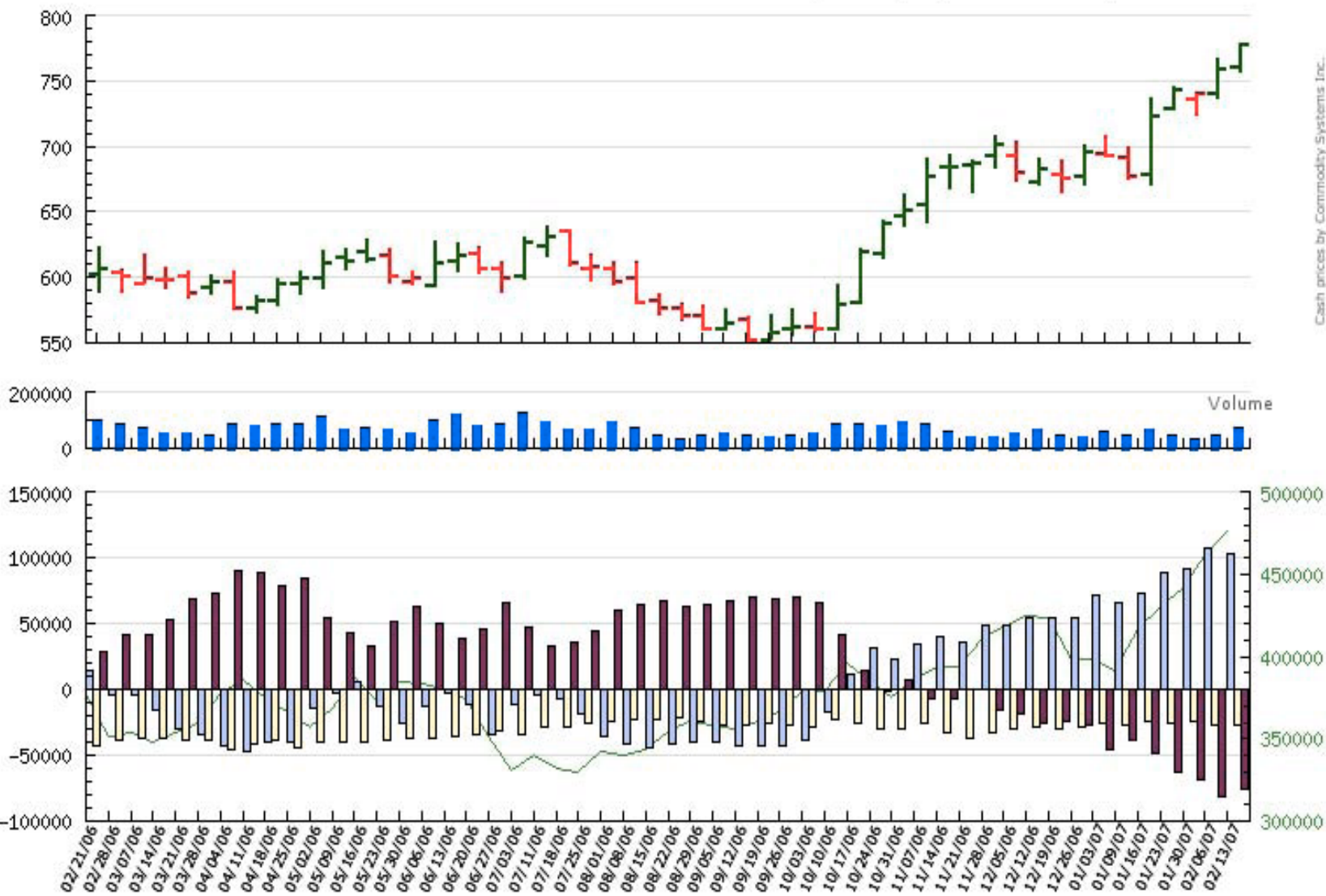
Volume



----- Weekly Price -----				--- Large Speculators ---			----- Commercial -----				-- Small Speculators --			Open		
Open	High	Low	Close	#	Long	Short	Bullish	#	Long	Short	Bullish	Long	Short	Bullish	Intrest	
377.40	428.20	377.40	414.40	01/16/07	519	398,189	75,338	84%	582	657,780	879,482	43%	173,870	275,019	39%	1,450,684
420.20	431.20	413.20	421.20	01/23/07	533	409,616	76,460	84%	596	672,784	921,900	42%	185,182	269,222	41%	1,487,437
414.20	421.20	409.40	418.20	01/30/07	544	402,322	70,237	85%	584	662,744	912,259	42%	193,790	276,360	41%	1,485,266
418.60	423.00	409.40	411.60	02/06/07	570	407,330	80,353	84%	590	660,308	907,034	42%	193,460	273,711	41%	1,488,786
412.20	427.60	406.40	427.20	02/13/07	591	445,419	75,871	85%	602	643,181	926,263	41%	192,429	278,895	41%	1,499,458

(c,b,t) 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	
683.60	737.40	682.20	724.40	01/16/07	314	114,828	42,095	73%	224	180,928	229,381	44%	57,460	81,740	41%	416,414
729.20	745.20	728.00	744.60	01/23/07	313	129,173	41,205	76%	233	179,818	242,292	43%	57,720	83,214	41%	430,593
737.20	741.20	724.40	740.40	01/30/07	321	128,492	36,451	78%	226	181,540	249,565	42%	60,906	84,922	42%	441,976
740.40	767.60	737.40	760.40	02/06/07	347	143,740	36,050	80%	237	185,742	266,713	41%	63,031	89,750	41%	461,503
761.20	778.60	757.60	778.20	02/13/07	368	146,228	43,064	77%	250	188,052	264,309	42%	66,645	93,552	42%	475,776