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INVESTOR'S EDGE

Bet on agriculture for next boom, Rogers says

Investor pegs food crops, livestock as potential investment bonanza

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Jim Rogers wants you to put more of your money where your mouth is. Literally.

The creator of the Rogers International Commodities Index and erstwhile partner of investing legend George Soros has pegged food crops, livestock and other agricultural products as the next bonanza for investors after base metals.

"We're a lot closer to the bottom for agriculture than we are for copper," Mr. Rogers said a little breathlessly yesterday when reached mid-workout at a New York gym. "We have many, many, many percentage points to go on the upside."

Take sugar. Even though it jumped by 60 per cent last year, making it the top performer among commodities, and is continuing its rapid rise in 2006, it is still below its record high, he said. Cotton and corn are both 50 to 60 per cent below their highs, while coffee is 70 per cent below its.

"So the opportunities are in agriculture," added Mr. Rogers, who has maintained a 35-per-cent weighting for crops and critters in his index since launching it in 1998. The component weightings range from 7 per cent for wheat and 4 per cent for cotton, through 2 per cent each for live cattle and sugar, all the way down to 0.5 per cent for azuki beans and 0.27 per cent for barley.

The key drivers he sees for a boom in these commodities -- as with so many others -- is burgeoning demand in Asia, especially China. However, another major influence on soaring sugar prices is that Brazil, which produces more of the stuff than any other country, is routing more than 50 per cent of the crop to producing ethanol.

Mr. Rogers, just back from Asia himself, is far from alone in seeing big potential in agriculture.

Just yesterday, for example, the Chicago Board of Trade, said that starting Aug. 1, traders will be able to buy and sell agricultural contracts electronically during the day, instead of only physically on its open auction trading floor. To date, electronic trading in these commodities has been available only overnight.

The CBOT said it was making the change in response to "strong customer demand," although Mr. Rogers contended that the exchange was simply trying to catch up with competitors that have switched entirely to computerized trading. "America is the only place left that has floor trading . . . so it's just trying to keep up with the times," he said.

In London, meanwhile, an official with Barclays Capital, the investment banking arm of financial services giant Barclays PLC, said yesterday that the firm has just completed the sale to British retail investors of an issue of six-year bonds based on the so-called "agriculture excess subindex" of the Goldman Sachs Commodity Index.

The jazzily named Six-year Agricultural Commodities Plan, for which the minimum investment was £10,000 (\$20,146), promises investors 110 per cent of any percentage growth in the index, along with 100-per-cent capital repayment, unless the subindex falls by more than 50 per cent from its initial level and fails to recover to that level.

The new product is the retail version of a £25-million issue of five-year bonds based on the same subindex that Barclays sold earlier this year to British institutional investors, although they stand to receive 120 per cent of any percentage growth and 100-per-cent capital protection if there is a 40-per-cent fall in the index.

Agribusiness-related equities are proving more of a mixed bag.

In the United States, shares of processing giant Archer-Daniels-Midland Co. of Decatur, Ill., which specializes in soybeans, corn, wheat and cocoa, closed at a record high of \$38.21 (U.S.) on the New York Stock Exchange Monday.

Competitor Bunge Ltd. of White Plains, N.Y., has not fared so well. At a little more than \$58, its shares are up just 2.5 per cent so far this year.

Closer to home, shares of Saskatchewan Wheat Pool Inc. of Regina closed at \$7.44 (Canadian) on the Toronto Stock Exchange, and are up 11.7 per cent this year.

Crops and critters

Investor Jim Rogers says the next leg up in the commodities market will come from agricultural products, and others are beginning to listen.

Corn futures

Continuous front-month contract, in \$U.S. a bushel, daily close

Yesterday's close: \$2.43

Sugar futures

Continuous front-month contract, in U.S. ¢ a pound, daily close

Yesterday's close: 17.12¢

Best & worst performing commodity futures

Top 10 performers for past year

Copper: +131.44%

Sugar: +100.94

Silver: +76.18

Gold: +46.61

Heating Oil: +34.15

Crude oil: +32.71

Gasoline: +31.28

Platinum: +30.22

Soybean oil: +10.57

Corn: +9.70

Bottom 10 performers for past year

Cocoa: +3.46%

Lumber: +2.28

Natural gas: +2.12

Mini int'l cattle: 0.0

Soybean: -8.31

Cotton: -12.81

Soybean meal: -12.81

Lean hogs: -13.75

Live cattle: -14.66

Coffee: -15.82

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