

Investors Bullish On Commodities For Foreseeable Future

LITTLE ROCK, ARK.

Investors worldwide are bullish on commodities and for good reason. Continued strong global growth has created a global bull market for them, according to Dr. Bobby Coats, agricultural policy analyst with the University of Arkansas Cooperative Extension Service.

"The question now becomes if robust global growth will be derailed by the turmoil in the housing sector, high oil prices, struggling equity prices and reduced consumer spending in 2008," he said.

While these issues are serious and have injected substantial uncertainty into the 2008 economic setting, Coats doesn't expect the global bull market in commodities to be derailed anytime soon.

The U.S. and other progressive economies around the world are focused on providing financial stimulus to a slowing global economy.

Their objective, Coats said, is to limit the downside of global growth and limit the loss of economic momentum. He expects the stimulus to enhance global growth and the demand for commodities. The cost of the financial stimulus will be increased inflation, Coats said.

Global stimulus, weak dollar, inflationary setting, the alternative fuel movement, globalization, commodity shortages and weather problems all point to commodity pricing opportunities for farmers.

Coats said many of these same factors that

give markets their pricing potential would produce dangerous levels of price volatility.

"I only recommend being in these markets with a professional marketing assistance," he said. "Why? You simply need a professional to plan for managing the unexpected."

What's the outlook for row crop prices?

Coats said, the price trend remains up for row crops. Cotton is the biggest disappointment. It looks to show some price weakness into planting season, and this will further reduce Arkansas and U.S. acreage, which in turn will be bullish for cotton prices. The larger price trend for cotton is still up.

Wheat, rice, corn and soybeans are still showing price strength, but at some point they will correct.

What's the outlook for oil prices?

The demand for oil is at an all-time high, Coats noted. He said oil prices are up almost 800 percent since their 1998 low of \$10.35 and up 75 percent from last year.

"I expect to see more weakness than strength in oil prices over the next eight months," the economist said. "I expect slowing global growth and other issues will provide some oil price relief."

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