

GlobalCap's Dawance Says Buy Soybean, Wheat, Sugar and Corn 2008-03-25 09:09 (New York)

By Claire Leow

March 25 (Bloomberg) -- Alexis Dawance, a fund manager at GlobalCap in Zurich, says investors should buy soybean, wheat, sugar and corn at current price levels. GlobalCap has two funds with \$45 million under management.

On agriculture commodities:

``It's an opportunity now to add to grain, because the correction has been quite severe and very rapid. On a six-month basis, we believe buying soybean, wheat, sugar, corn as well at these levels is a good idea, and used this correction as a buying opportunity.

``It was too quick, too fast and too easy what we've seen in the last six months in the equity agricultural market and in the agricultural commodities themselves.

``What happened is it became fashionable but the fact is inventories are low. The commodities really got correlated in the last couple of months. What we have seen this month is silver, gold, whatever -- they all fell at the same time across the board because commodity as an asset class has become fashionable. But some markets are still not that liquid, like wheat, which is why you see trades limit up, limit down.

``I am still bullish on a five-year time horizon. I see more and more companies going public, more and more companies raising capital to buy land. Every week I have a new broker calling me for a new IPO in Ukraine, in Brazil, people buying land.

``We're bullish on rubber. There's high demand but on the supply side, plantations are cutting rubber trees to plant oil palms because of higher prices and because the lead time is shorter. You need three years before you can harvest palm oil, while it's 7 years for rubber."

On metals:

``On industrial metals, I'd be more cautious because if we see a slowdown in the U.S., if we see a contagion in the slowing down, we might see demand for industrial metals cooling.

``Platinum, gold and silver have risen too high too quickly and I'd be more cautious in precious metals as well.

``Inventories in many metals are much better than in agriculture."`

On Russia:

``The (former) Soviet Union is no longer producing much grain. At the end of the Cold War, there were all these exporters that were no longer funded. And what happened was we went from large farms to small farms, unlike the rest of the world.`

``What's happening now is a reverse of that process. We're seeing companies buying these small lots and putting them together and investing again. We see this coming back. It's going to take time, 3-4 years."`

On policies towards food and energy security:

``What is interesting is we see the U.S. converting water into oil because to produce ethanol, you need a lot of gallons of water to produce corn. Ethanol is very water-intensive.`

``So the U.S. is using its grains to produce its energy-equivalent and in the Gulf, you see Saudi Arabia investing like crazy in desalination plants. So they are using their oil to produce water to plant farms. So both extremes of the world are wasting energy because they both want to be self-sufficient."`

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