

The Silver Supply/Demand Imbalance

By [The Mogambo Guru](#)

07/16/09 Tampa Bay, Florida I try not to think about silver, because when I do, my head ends up whirling around at the sheer compelling nature of the fundamentals, and I always come to the conclusions that whirling makes me dizzy and that I need to buy more silver right away because silver is going to start exploding in price over the next few years, it could happen soon enough to do me some good, especially considering the sorry state of all alternative investments right now and the sorry state of just about everything right now, and by the fact that I am slashing the kids' allowances to zero, freeing up some of the cash I will need!

But sometimes something comes along that makes me think about silver, such as David Morgan of the silver-investor.com site reporting that "during the past ten years, silver's use in industry has gone from roughly 35% of the entire annual production in silver, to greater than 50%. Not only that, but it is the fastest growing area of the silver market."

So how much silver was mined? Well, the commoditynewscenter.com notes that "According to the US Geological Survey, about 672m ounces of silver was mined in 2008. And with an average silver price of \$14.94 per ounce, if all mined silver was sold at spot, the entire supply chain would generate revenues of only about \$10 billion."

It is statistics like these, coupled with the dismal fact of the virtual elimination of above-ground stocks of silver as the myriads of electronic devices produced over the decades consumed it all, that makes me look at the world with suspicious distrust, my eyes narrowed to slits and my hand inching under my jacket to the shoulder holster in case I have to blast my way out as I realize – to my dismay – that the creatures of this planet are so stupid that they can look at this silver thing, and yet not start buying silver right away! Weird! More than weird!

Even when I politely yell at them, "Hey! You are Really, Really Stupid (RRS) if you are not buying silver, and I hope your children are not as stupid as you, although they are every bit as ugly as you, ya morons!" they still don't buy silver! Again, weird!

Addison Wiggin of Agora Financial's 5 Minute Forecast does not actually come out and say, "It's weird!" or that I am, for once, making sense or how he can't understand why everyone hates me, but he does say that "there are only 22 pure silver mines around the world. For 15 years straight, they've fallen short of meeting total silver demand." Wow!

In fact, "in the last two years alone, they were off by nearly 76 million ounces"!

And since this is after decades of dis-hoarding of strategic stockpiles, the result is that "Today, most of the U.S. silver stockpile is gone," and whereas "the world once had about 2.2 billion ounces of silver above ground," now there are "only about 300 million ounces. In other words, total world silver supply has plummeted by over 86% just in the last few years...while silver demand has gone UP!"

I know you won't listen to me, since you never have, and all I ever hear is how you are sick of hearing me tell you to buy silver and gold, for one reason, protection against the inexorable predations of a ravenous, sick government, and secondly to make money with silver since the supply/demand imbalance is (as we professional economists term it) So Preposterously Out Of Whack (SPOOW), and you are always asking, "If you're so smart, how come you are just a lonely, pathetic little man who locks himself in the closet under the stairs because he is so scared of everything?"

Well, I am tired of screaming my lungs out in rebuttal, so maybe you will listen to Addison Wiggin, who is a bigshot at Agora Publishing and has his own newsletter, whose own statistics scream, even if he doesn't, "Whee! This investing stuff is easy!"