

Today's Notes:

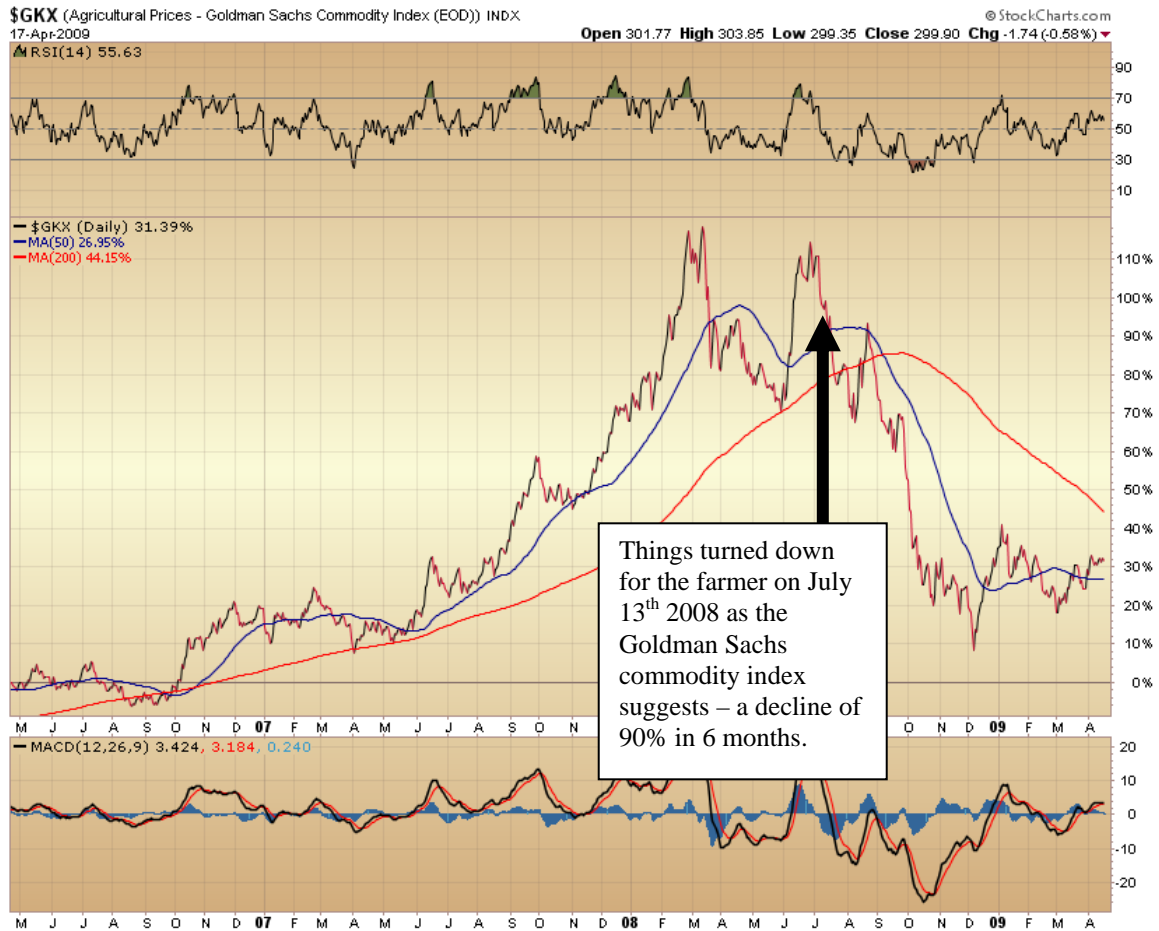
1. **Down on The Farm**
2. **DataMeg**

1. DOWN ON THE FARM

We have focused too frequently in the past year on the banks, their troubles and the general recession. Recently the farm segment of the US economy came into question. (see *Exports Fall And Its Felt On The Farm*, NYT April 9, 2009). In 2006 our leaders picked up on the politically expedient and sanguine view that corn-based ethanol would solve all our problems. This is the problem I have with the “greens.” It is not that I am against alternative and cleaner energy strategies than those based upon oil and carbon based fuels. Not at all. It is instead that these simplistic views of solving the global warming hypothesis are so naïve and dangerous as to be frightening. A drive into any major city in North America will quickly convince you that the transition from gasoline or diesel to electricity, while much desired, will require a very long hiatus. In the meantime, say the next 10 to 20 years, what is the transportation energy policy of the OECD? There is no one that can provide this answer. While Canada, with its energy largesse, and small population will benefit, the US will continue to spend valuable dollars on imports. The US dollars we spend in the future might be worth very much less than now. Please take heed. The real and immediate fear is that of running out of energy, the most critical component of economic growth. This is the path I believe we are now committed to with EPA Czar Carol Browner's recent greenhouse gas rulings.

On the farm things are not good despite the fact that subsidies related to corn and ethanol have propped up this sector of the economy in the past few years. Many of the ethanol producers are facing bankruptcy while valuable food stock is turned into non economic fuel that has little impact on our dependence on foreign and increasingly unfriendly oil. While all the focus has been on bank's toxic assets, insurance companies and large conglomerates such as General Motors, the US farm economy has been quietly slipping into a depression.

For the farm sector in particular, the events of July 13th, 2008 changed everything literally overnight. In the short run it changed dramatically and undeniably for the worse. In the longer term we will see a slow regression to a US society not based on debt (but savings) and shrinkage of its power of a unipolar world. Yes indeed the world has lost its “sugar daddy,” the US consumer – perhaps for a very long time on July 13th.

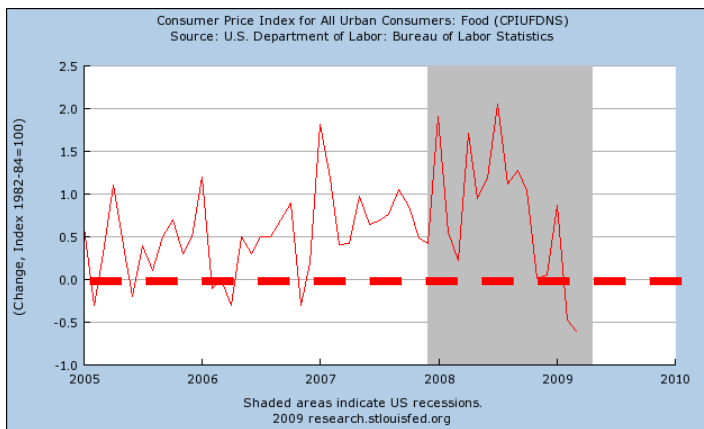


But down on the farm the impact of all the many programs emanating from Washington but and the G-20 is now being felt. First and foremost, the strength of the US currency is impacting farm exports. This dollar strength, shown below, has had an obvious negative impact on the farm community whose export base is critically important. US farm exports have become at least 15% to 20% less competitive to Canadian, Australian and other farm

economies since last year.



Another view of the CPI adjusted for food prices tells a similar story – if not outright deflation, then certainly disinflation in foods as of April 9th.



But the issue also involves the global extent of this growth recession. Developing countries are slowing food imports, rain in Australia helped their crops and dairy product sales are slumping. For example the value of corn exports (October to January) fell 26%. Corn sales declined 41% compared with the same period in 2008. The value of farm production will fall this year to \$96 billion, from \$117 billion in 2008, an 18% decline.

The decline is drastic for corn and wheat, two staples of the farm economy. We must also address that increasingly nasty word, **unemployment**. Farm economists say the falloff could directly lead to a loss of 45,000 jobs.

It is apparent that in a recession the feedback loops themselves are toxic and difficult to disable once they set up. Increased unemployment leads to lower consumer spending, higher unemployment claims and eventually higher taxes (or much lower government spending – nah!) from some level of government.

Joseph Glauber, chief economist of the Department of Agriculture said on April 9th,

“What a difference 12 months can make ... We have seen prices for most commodities fall 40 to 50% from their midyear peaks. The global economic slump has cast a pall on most markets.”

This is perhaps a most relevant statement. Indeed, in a short year (July 13th, 9 months) the world has changed dramatically. That is the issue most people still searching for “green shoots” do not understand. We are not likely to revert to the old system. It is very different this time, not your father or mother’s recession at all. The changes are deep, widespread (spreading) and drastic.

Just to further the pitiful farm prognosis read on:

- 1) The Agriculture Department projects that American wheat and cotton plantings will fall by 7% in 2009 YOY, corn plantings will fall 1%.
- 2) Pork, cattle and poultry production are expected to decline because of declining exports – a stronger US\$.

Now the focus is not only on the US and Canadian economies. It is now on the global economy. This too is an issue that most cognoscenti fail to grasp. The only possible engine of growth renewal appears to be that of China. Last week China’s GDP came in under expectations at 6.1%. Some consider this too low to sustain the population. It is certainly too low to draw the world out of its economic slumber.

Finally, we have the specter of protectionism. How long will it be – that is if this recession is long lasting – before the Washington crew decides to prop up the farm sector of the economy, either through tariffs or subsidies? You and I both know that such an event is likely. But protectionism itself propogates a feedback loop. It is not a one way street. Europe has long protected its farmers in ways many consider to be unfair. Protectionism at this stage of the economic doldrums will push us much deeper into the abyss. You can kiss DOHA goodbye if fiscal spending and PPIP do not work.

Chief Economist Glauber reiterates the issue,

“If the world economy does not recover over the next year or so, prices for produce and farm incomes could decline sharply and ... lead to a drop in farm real estate values.”

American farm income could decline to \$66 billion this year, from a record \$89 billion last year “

Thus as part of the feedback loops we may not worry only about residential and commercial real estate prices but also farm real estate declines. This loop leads us back to those fragile balance sheets of the banks. On this issue – if and only if the recession is long lasting, my friend Gary Shilling’s view of deflation starts to take on a most reasonable perspective. Add up all the negative feedback loops and then factor in gold’s reluctance to move higher (deflationary expectations?) and oil and copper’s current stickiness and perhaps – just perhaps – the markets are telling a message we do not really want to hear. Much of the outcome will be determined by Washington.

2. DATAMEG

I have owned shares in Datameg for quite a long time. The stock, in my view, has been illegally shorted to the extent of hundreds of millions of shares. Can I prove this? No, I cannot. In fact I cannot prove definitively that there are millions of illegal (Naked) shorts on the stock. But my gut feel is that they are indeed there. A quick look at the technicals of the price performance tells me that something may be happening since January.



The shares have moved from about 1 cent to 6 cents. On Friday the stock double printed which may imply that the shares are being actively accumulated. Is there a short covering

underway? I think we shall soon know. If you own the stock (as I do) you might call your broker and request that he or she send you your certificates. I think they may be increasingly difficult to obtain.

But please remember that shorts are extremely savvy and very difficult to defeat – if they exist on Datameg. **In other words, there is still risk here and this investment is not for the faint of heart.**

However there is a very nice fundamental story emerging to back up the fundamentals. Under the leadership of CEO James Murphy DTMG has become a holding company. In addition to its VoIP technology it now has exposure to the blue world of styrene recycling and water in thirsty, water depleted New Mexico. I visited the styrene recycling pilot plant in Florida a few weeks ago.

The New Mexico water play involves Chairman Tony Aneya (former Governor of New Mexico) and Paul Pelosi who is now the President of Natural Blue Resources. Natural Blue Resources will withdraw brackish water from New Mexico's deeper reservoirs (2500 feet), purify it and sell it. Mr. Pelosi has dedicated his recent work to the environment and water availability around the world. He is speaking on Natural Blue at Michael Milken's (Milken Institute Global Conference 2009) gathering April 27 – 29th.

Datameg announced last week a deal to acquire Natural Blue. I include its entire press release. Personally I have long sought a discovery investment in the water sector; they are very hard to find and value. Maybe, just maybe I have my first discovery stock in the water sector.

Once again I suggest you seek advice from your broker or planner before buying DTMG. Nevertheless management is competent, the New Mexico water alone can be a game changer and the catalysts are in place with a time setting of May 29th – incidentally my birthday. Hope it's a good one!

SAN FRANCISCO, CA, Apr 14, 2009 (MARKET WIRE via COMTEX) -- [DTMG](#) | [Quote](#) | [Chart](#) | [News](#) | [PowerRating](#) -- Datameg Corporation (OTCBB: [DTMG](#) | [Quote](#) | [Chart](#) | [News](#) | [PowerRating](#)) today announced that it has entered into a material agreement to acquire Natural Blue Resources Inc., a newly formed Nevada Corporation. Together with the acquisition, Datameg intends to comprehensively restructure its operations, including recapitalization of the Company's capital structure and an anticipated symbol change. Final documents call for a closing by May 29, 2009.

"This is an exciting day for Datameg and its shareholders. We believe Natural Blue Resources has an inherent and potentially powerful upside to its business," said Jim Murphy, Chief Executive Officer of Datameg.

Murphy added, "As part of Datameg's planned restructuring, we will be exploring all options to enhance shareholder value and position the company for long-term success."

Natural Blue Resources is led by Toney Anaya, the company's Chairman and CEO. Paul Pelosi, Jr. serves as the company's President and Chief Operating Officer. Assisting Anaya and Pelosi is an accomplished team that has developed affordable drinking water projects around the globe.

"We have compiled a team that includes some of the leading individuals and companies in the industry, together with the technical and financial strength necessary to accomplish the

projects that we have embarked on," said Paul Pelosi, Jr. "The Company's intent is to utilize this team -- those who have developed successful water projects internationally -- to take full advantage of certain innovative technologies that have been developed in recent years."

In addition to advising companies, including NASA Ames Research Center, Astrobotic Technology and Air Patrol Corporation, on a variety of infrastructure projects to promote both sustainable development, recycling and security, Paul Pelosi, Jr. also serves as President of the San Francisco Commission on the Environment and is a founding member of Cisco Connected Urban Development. Paul also works with a variety of cities including San Francisco, Amsterdam, Hamburg, Lisbon, Madrid and Seoul, in order to help them share innovative ideas and implement the most effective techniques and methods to prevent and control environmental pollution while protecting natural and cultural resources.

Natural Blue Resources is exploring the development of drinking water in targeted regions of the Western United States. Natural Blue Resources seeks to provide safe, clean, drinking water at a reasonable price to the consumer.

About Datameg Corporation:

Datameg Corporation is a diversified holding company with subsidiaries in the technology industry and in food packaging and other injection-molded products. American Marketing and Sales, Inc. D/B/A Innovative Designs markets finished food packaging, caterware and office products nationwide to major supermarkets, food retailers, and office supply stores. Datameg's wholly owned subsidiaries Net Symphony Corporation and QoVox Corporation design, develop and offer network-wide fault identification, fault isolation and voice quality assurance products and critical real-time network health and performance monitoring services for both providers and end-users of Internet telephony, now commonly referred to as Voice Over Internet Protocol (VoIP). For more information on our subsidiaries, visit our web site at www.datameg.com/ir.html

Datameg will restructure its balance sheet probably with a reverse share split. The deal is expected to be complete by May 29th when a new name and ticker will trade. It is possible that current shareholders of Datameg may own about 10% of the new water / recycling entity. I encourage you to check the Datameg web site and verify my data. Then please use my 10 point grid to determine the potential value of this interesting little penny stock. This could be a good learning experience for you. By the way we have been through these price run-ups before, as you can see in the DTMG graph above. Datameg is a most interesting opportunity – but please seek advice if you are not familiar with any aspect of the Datameg story.

The material herein is for informational purposes only and is not intended to and does not constitute the rendering of investment advice or the solicitation of an offer to buy securities. The foregoing discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (The Act). In particular when used in the preceding discussion the words "plan," confident that, believe, scheduled, expect, or intend to, and similar conditional expressions are intended to identify forward-looking statements subject to the safe harbor created by the ACT. Such statements are subject to certain risks and uncertainties and actual results could differ materially from those expressed in any of the forward looking statements. Such risks and uncertainties include, but are not limited to future events and financial performance of the company which are inherently uncertain and actual events and / or results may differ materially. In addition Dr. Berry may review investments that are not registered in the U.S. Dr. Berry has been awarded 10,000 stock options exercisable at \$7.50 from Senesco Technologies. He has been awarded 100,000 options of Derek Oil and Gas exercisable at C\$.47, Valcent Products (300,000 options),

*Global Green Solutions (400,000 options) and War Eagle Mining. He owns shares and in Goldcorp, Senesco Technologies, **DataMeg**, Immtech International, Horseshoe Gold, Derek Oil and Gas, Terraco Gold, US Silver, Neuralstem, Piedmont Mining, MegaWest Energy, Valcent Products, CGX Energy, MacMillan Gold and Quaterra Resources. He has been awarded 250,000 options on Terraco Gold exercisable at C\$.50 for 5 years, for services as a financial advisor. In his role as advisor he has been awarded 75,000 options from Polymet which strike at C\$2.76. We cannot attest to nor certify the correctness of any information in this note. Please consult your financial advisor and perform your own due diligence before considering any companies mentioned in this informational bulletin.*