

After Just 60 years Government Inventory Has Run Dry!

In 1980, when the price of silver peaked at around \$50/oz (\$150/oz in today's inflated money) there was a global above ground supply of over 2 billion ounces. Now, total world silver bullion inventory stands at a meager 350 million ounces (at the price of \$10/oz.) according to GMF.

This situation is a result of a continual deficit in the silver market. Every year, more silver is consumed than is mined. This has gone on for at least the last 15 years, and there is even strong evidence to suggest that this deficit has gone on much longer than that (more than 60 years, according to the well renowned silver analyst, Ted Butler). To fill this gap, there have existed only three options.

1. Recycling of scrap silver — which is currently done, but is largely dependent upon supply, and is therefore unable to fill the gap completely.
2. Hedging — results when silver producing mines sell their silver forward (i.e. in advance).
3. Investor selling — a trend which has reversed itself from net selling to net buying in just these past few years.
4. Liquidation of Government Holdings — this has largely helped to fill the demand gap in the past, but government stocks are now nearly empty.

The US is a shining example when it comes to making use of option number three. As a nation, we have gone from holding the most silver in history, to owning virtually no silver reserves at all in a little over 60 years time. Even our emergency military supply has been drained, something that is desperately needed in times of war. In fact, the US government which was the largest seller of silver in the 20th century, has now a net become a buyer of the metal (beginning in 2002), purchasing around 10 million ounces a year in order to mint its popular 1 ounce Silver Eagles!

But the US isn't alone, most of the World has followed its lead. This systematic selling of silver partially explains the long bear market, as it has effectively masked the tremendous deficits between supply and demand that occur year after year. But all this bodes well for the average Joe who is willing to give a little and invest in silver, since there is now no central power that maintains the ability to flood the market with physical silver in order to suppress a dramatic rise in price.

Plenty of Gold (in comparison) is left in the central banks of the world to sell*, but such is not the case for silver. Never before has this situation existed! It is but another phenomenon in the growing epiphenomena of the silver market.

*At least in theory. I, however, very much doubt the validity of the published numbers.

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