Editor: Penny Esplin, Secretary: Marlea Sheridan

Date: March 22, 2011

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Meeting Minutes Tuesday March 7th, 2011

Call to Order: Club met at the Keizer-Clear Lake United Methodist Church fellowship hall for the first time. Happily, this room is quite accommodating for our group as it is much larger, has plenty of tables and chairs, and a nice fully functioning kitchen. We were all quite pleased.

In Attendance: 21 members were present. Our new member Ron Larson attended his first meeting. Welcome Ron.

Guests: None

Membership: Our new member Ron Larson attended his first meeting. Welcome Ron.

The current membership form for address/e-mail corrections. Claudia is working on new membership packet.

Treasurers Report: 9 more members paid their dues.

Old Business: The old minutes were approved and e-mailed to members in the newsletter.

Rice Museum trip was canceled due to lack of interest. Always let Claudia know whether you will be attending any outing beforehand if possible.

New Business: **NEW MEETING DAY!**: Keizer/Clear Lake United Methodist Church has allowed us to now meet on **the Fourth Thursday of each month at 7:00 p.m.**

Steve Davis won the silver coin drawing!

Club will be having a Raffle of various items in April. (donations of raffle items accepted)

Events Committee: There will be an outing on Sat. March 19 to Antique Powerland area for metal detecting 10:00.

G.P.A.A. Gold show has free admission if you go online for tickets by March 18th. TheGold Show is April 1t-3.

Next Club Outing: There will be an outing on Saturday March 19 to the Antique Powerland area for metal detecting 10:00 am.

Program: Our speaker for the evening was Tom Bohmker, author and gold finding specialist. He shared information about "How to know whether the rock samples you are holding have gold in them." He explained how to grind the rock samples with a mortar and pestle, then to pan the ground up samples to check for gold.

Tom also used various acids to detect the percentage of gold in a sample using a scratch test tile (*aka "touch-stone" or "streak plate"*). He tested samples of gold jewelry for their gold content.

After the presentation he spent over an hour with us answering our questions and sharing his knowledge.

Tom offered some of his books for sale.

We really appreciated the time Tom shared with us! His raw expertise and his own true life experiences made for a wonderful time well spent for us. His books are full of colorful historic tales of miners past, recent, and present! Tom is an interesting and entertaining speaker.

Rocks Shared Beginning With the Letter "M": Two members shared their rock finds/collections. Judy Smith brought a nice variety of the Willamette River rocks and agates that she found recently in the gravel bars under the Marion Street bridge at Wallace Marine Park. There was a real nice treasure trove of specimens!

Penny Esplin brought "M" rocks. She showed us *Cinnabar* (mercury sulphide), *Malachite* (copper carbonate), *Moonstone* (*Albite* a plagioclase feldspar), *Magnetite* (ferrous and ferric iron oxide), *Microcline* (orthoclase feldspar, also called *Amazonite*).

In April, bring rocks beginning with the letter "N".

ROCK HOUNDING, MINERALOGY

Cinnabar (mercury(II) sulfide)

https://secure.wikimedia.org/wikipedia/en/wiki/Cinnabar

Cinnabar is the common ore of mercury. Cinnabar is generally found in a massive, granular or earthy form and is bright scarlet to brick-red in color.

It occasionally occurs, however, in crystals with a non-metallic adamantine luster. Cinnabar has a rhombohedral bravais lattice, and belongs to the hexagonal crystal system, trigonal division. Its crystals grow usually in a massive habit, though they are sometimes twinned. The twinning in cinnabar is distinctive and forms a penetration twin that is ridged with six ridges surrounding the point of a pyramid. It could be thought of as two scalahedral crystals grown together with one crystal going the opposite way of the other crystal. The hardness of cinnabar is 2–2.5, and its specific gravity 8.1.

Cinnabar resembles quartz in its symmetry and certain of its optical characteristics. Like quartz.

Cinnabar has been mined since the Neolithic Age (Martín-Gil et al.). During the Roman Empire it was mined both as a pigment and for its mercury content and it has been the main source of mercury throughout the centuries.

To produce liquid (quicksilver) mercury, crushed cinnabar ore is roasted in rotary furnaces. Pure mercury separates from sulfur in this process and easily evaporates. A condensing column is used to collect the liquid metal, which is most often shipped in iron flasks. Since mercury is a relatively noble metal, it easily separates from its ores.

Because of the Mercury content in cinnabar it can be toxic to human beings. Though ancient peoples in South America often used cinnabar for art, or processed it into refined mercury (as a means to gild silver and gold to objects) the toxic properties of mercury were well known. It was dangerous to those who mined and processed cinnabar, it caused shaking, loss of sense, and death...data suggest that mercury was retorted from cinnabar and the workers were exposed to the toxic mercury fumes." Overexposure to Mercury, Mercurialism, was seen as an occupational disease to the ancient Romans, "Mining in the Spanish cinnabar mines of Almaden, 225 km southwest of Madrid, was regarded as being akin to a death sentence due to the shortened life expectancy of the miners, who were slaves or convicts."

Cinnabar turned into a fine powder is often referred to as Vermilion which can be used as a food coloring in extremely small amounts. Animal testing has shown Vermilion "proved fatal to animals in the proportion of from thirty to seventy grains, even when applied externally to a wound."

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Malachite

http://www.mindat.org/min-2550.html
https://secure.wikimedia.org/wikipedia/en/wiki/Malachite

Malachite is a green, very common secondary copper mineral with a widely variable habit. Typically it is found as crystalline aggregates or crusts, often banded in appearence, like agates. It is also often found as botryoidal clusters of radiating crystals, and as mammillary aggregates as well. Single crystals and clusters of distinguishable crystals are uncommon, but when found they are typically acicular to prismatic. It is also frequently found as a pseudomorph after Azurite crystals, which are generally more tabular in shape.

Magnetite

https://secure.wikimedia.org/wikipedia/en/wiki/Magnetite
http://webmineral.com/data/Magnetite.shtml

Magnetite is the most magnetic of all the naturally occurring minerals on Earth. Naturally magnetized pieces of magnetite, called lodestone, will attract small pieces of iron, and this was how ancient people first noticed the property of magnetism. Lodestones were used as an early form of magnetic compass. Magnetite typically carries the dominant magnetic signature in rocks, and so it has been a critical tool in paleomagnetism, a science important in discovering and understanding plate tectonics and as historic data for magnetohydrodynamics and other scientific fields. The relationships between magnetite and other iron-rich oxide minerals such as ilmenite, hematite, and ulvospinel have been much studied, as the complicated reactions between these minerals and oxygen influence how and when magnetite preserves records of the Earth's magnetic field.

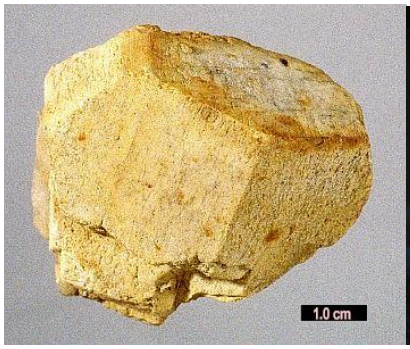
Magnetite has been very important in understanding the conditions under which rocks form. Magnetite reacts with oxygen to produce hematite, and the mineral pair forms a buffer that can control oxygen fugacity. Commonly, igneous rocks contain grains of two solid solutions, one between magnetite and ulvospinel and the other between ilmenite and hematite. Compositions of the mineral pairs are used to calculate how oxidizing was the magma (i.e., the oxygen fugacity of the magma): a range of oxidizing conditions are found in magmas and the oxidation state helps to determine how the magmas might evolve by fractional crystallization.

Small grains of magnetite occur in almost all igneous and metamorphic rocks. Magnetite also occurs in many sedimentary rocks, including banded iron formations. In many igneous rocks, magnetite-rich and ilmenite-rich grains occur that precipitated together from magma. Magnetite also is produced from peridotites and dunites by serpentinization.


Microcline

https://secure.wikimedia.org/wikipedia/en/wiki/Microcline

Microcline ($KAlSi_3O_8$) is an important igneous rock-forming tectosilicate mineral. It is a potassium-rich alkali feldspar. Microcline typically contains minor amounts of sodium. It is common in granite and pegmatites. Microcline forms during slow cooling of orthoclase; it is more stable at lower temperatures than orthoclase. Sanidine is a polymorph of alkali feldspar stable at yet higher temperature. Microcline may be clear, white, pale-yellow, brick-red, or green; it is generally characterized by cross-hatch twinning that forms as a result of the transformation of monoclinic orthoclase into triclinic microcline.



Moonstone

https://secure.wikimedia.org/wikipedia/en/wiki/Moonstone_%28gemstone%29

Moonstone is a sodium potassium aluminium silicate. Its name is derived from a visual effect, or sheen, caused by light reflecting internally in the moonstone from layer inclusion of different feldspars.

Moonstone has been used as jewelry for centuries, including ancient civilizations. The Romans admired moonstone, as they believed it was born from solidified rays of the moon. [1] Both the Romans and Greeks associated Moonstone with their lunar gods and goddesses. In more modern times, moonstone jewelry was also common in the United States as a part of the Art Nouveau movement, but their usage waned by the mid 1920s.

The most common moonstone is of the mineral adularia. The plagioclase feldspar oligoclase also produces moonstone specimens. Moonstone is feldspar with a pearly and opalescent luster.

Moonstone is composed of two feldspar species, orthoclase and albite. The two species are intermingled. Then, as the newly formed mineral cools, the intergrowth of orthoclase and albite separates into stacked, alternating layers. When light falls between these thin, flat layers, it scatters in many directions producing the phenomenon called adularescence.

GOLD MINING, PRECIOUS METALS

Buyer Beware: Fake Silver On the Market Now

Author: Mac Slavo, - http://www.SHTFplan.com/
February 24th, 2011

As the price of precious metals sky rockets the world over, enterprising counterfeiters in China are jumping on the bandwagon. Being proponents of owning precious metals, especially in smaller denomination recognizable coins and currency, we wanted to alert our readers about what's happening in the physical silver and gold markets and how taking some extra precautions may be warranted now that everyone's getting gold and silver fever.

The fact that these fakes are popping up in Washington may explain why the Washington legislature is considering a misguided bill that would require a host of personal data to be provided to dealers when buying or selling precious metals:

They're the government and they're here to help. But the fact of the matter is that it will not stop the counterfeiting, so it's a useless preventative measure if this is the bill's purported intention.

As we know, the Chinese are experts at counterfeiting, and as the precious metals markets heat up in the future, we can expect to be inundated with more fakes. At $12 an ounce it may not have been worth it for Chinese counterfeiters, but at $34 it's a whole different ball game.

This is where personal responsibility and due diligence come into play. If you are making investments, take steps to reduce the possibility of being scammed.

Spotting Fakes
Fakes may already be showing up on Ebay.com and Craigslist postings, so even if you are meeting up in person, be sure to examine the coins closely. Some recommendations:

Personally, I would beware of buying any metals on Ebay or any place I can not touch and feel the metals and completely check them out before purchasing them! Buyer Beware! Take precautions, check out listings on Craigslist in your area. Buy from local people and online metal companies who get their coins directly from the mints and guarantee the Silver content!

I just looked on my local Craigslist and I believe there is an ad there for Morgan Silver dollars that are possibly the fake Morgan Silver Dollars. The coins are in plastic holders and they are very shiny! So, people will be selling them on Craigslist too – when looking at any coins in person – Take them OUT of the holders! If the owner does not want them taken out of the holders so you can check them out more thoroughly – then WALK AWAY!

Though it won't work for all fakes, one initial step to take when looking at coins is to use a magnet – you can pick up a good one at the hardware store for under $10. If the coin, bar or ingot sticks to the magnet, then you've got a fake likely made of iron ferrite.

Not all fake coins will stick to magnets. Tungsten filled gold bars, for example, will not be magnetic and will require other testing to detect. Silver plated lead will also not stick to a magnet.

Chances are that those responsible will be promptly switching over to non-magnetic metals. This means that for those buying coins, it will become even harder to detect. If you are investing any significant amount of money into precious metals, become familiar with testing techniques to make sure you have not been ripped off:

- **Ring Test** – A silver coin or bar will have a distinct ring, as opposed to fakes which will have a thud when struck or dropped.
- **Weight** - Understand that a "Troy Ounce", which is how we generally weigh precious metals, is different from the popular "Avoirdupois Ounce" used as a more traditional unit of measure in the United States. Just because a coin or bar says it weighs a certain amount doesn't make it so. If you have a gram-based scale, bring it with you to the coin shop or Craigslist exchange. If you don't have one, spend $30 and pick one up before you spend thousands on precious metals.
- **Nitric Acid Test** – You may not be able to test every coin or bar with nitric acid, as it requires a little bit of filing down to get under the "plate" but if you are buying in bulk, the seller may allow you to test a random piece of your choosing after you've performed a magnet, weight and ring test.

- **Coin Caliper** – If a counterfeiter uses a metal other than silver, chances are that the coin dimensions will have to change – or the coin will weigh more or less than it is supposed to with the specific dimensions. Every minted coin has a specific diameter and thickness. A caliper, usually available for $15 – $50, will give you the ability to measure the specific inches/millimeters of a particular coin. Cross compare this information, along with the weight, to the mint's coin specifications and if they match up, then the likelihood of a fake is extremely low – especially if it "rings true."

Why I'm Buying Silver at $30

Jeff Clark, BIG GOLD

The silver price has bounced 27% since January 28, a huge advance for a measly 16 trading days. It's already soared past its 2010 high and was selling for less than $16 this time last year, a double in 12 months. So, is it pricy? Or should we ignore the run-up and keep buying?

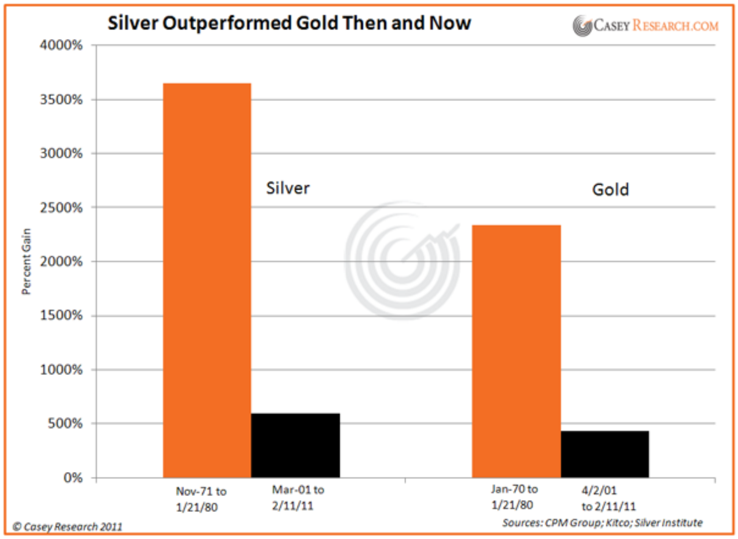
I've read a few articles that say we should expect silver to drop to the $25 level, and one pinpointed $22. Others, of course, see bullish tea leaves for the near term and believe it's headed higher. Of those that assert silver will decline, most believe it will be temporary, though one writer claims the bull market in precious metals is over (I think he's a holdout from the gold-is-a-bubble camp).

These authors could be right about a near-term decline, but I'm less concerned with what the price does this month or even the next few months, and more focused on where it's likely headed over the next few years. Caution: the chart ahead may cause excitement.

While there are lots of reasons to be bullish on silver, what everyone really wants to know is how high the price can go. Here's one hint, based strictly on historical price performance.

Silver rose an incredible 3,646% from the November 1971 low of $1.32 to its January 21, 1980 high of $49.45 (London PM fix prices). Our current advance, through February 4, is 596%. At $30, silver would have to climb over five times to match the last great bull market. If it did, the price would hit $160.89 per ounce (from its bottom of $4.295 on March 30, 2001).

You'll also notice silver has a record of outperforming gold in these two bull markets. In spite of the price dropping 26.9% in 2008 (while gold gained 5%), the metal has outrun its yellow cousin by 38.6% since their respective lows in 2001.



Gold advanced 2,333% in the 1970s; it's currently up 430%. If it matched the last run, the price would hit $6,227.26 per ounce, a return of four-and-a-half times the gold you buy today.

From solely a historical price perspective, the chart certainly suggests we've got a long way to go with both metals. The question is if the fundamentals support such price advances (show me a healthy dollar and no threat of inflation, and we'll talk), but my point for the moment is that there is an established precedence for the price of these metals to climb much higher. And just as important, to keep one's eye on the big picture.

So, yes, I'm buying silver at $30, in part because I think the potential for enormous gains is high.

However, I'll add that I'm not draining my cash account to do so. I think it's important for the precious metals investor to always be in the game, but given silver's volatility and the precarious nature of most markets right now, prudence suggests we keep some powder dry as well.

Let's say one of the soothsayers noted above is correct and silver temporarily falls to $25. If you snag it at that level, your endgame return would be 543%, vs. the 436% gain from $30 (excluding premiums and storage costs). That's more than another 100% gain on your original investment.

But how does one buy silver not knowing if the price will plummet or soar? For example, silver could take off from these levels, never to see $30 again, leaving those of you waiting for a sell-off out of the market. Or it could sink to $25, making investors who went all in now regret they didn't wait for a better price. Or it could trade sideways until, say, next fall, leaving both parties uncertain and on the sidelines.

In my opinion, there's a one-word answer to the question. It solves all dilemmas – it keeps you in the market, while simultaneously letting you buy at lower prices if that occurs. It lets you build your position bigger and bigger without the worry of whether you're getting a good price.

That one-word verb is, *accumulate*. Or in the vernacular made popular in the '80s by the financial planning community, dollar cost average. In other words, buy a little now, buy a little next month, etc., until you have a position sufficient in size to fight off inflation and any other economic woe we're likely to encounter over the next few years.

So my advice is, buy, hold, repeat. Because if our silver market ends up looking anything like that left bar in the chart, you may regret not having bought at $30, too.

"2011 SILVER MARKET OUTLOOK"

from GFMS Limited, in a new Monex special report,
February 25th:

"After an impressive run in the second half of 2010, silver will continue to trend higher in 2011. With gold forecast to rise above $1,600, silver is expected to follow its yellow cousin, with expectations rising that the price will breach $38 later this year. Nevertheless, given that the silver market is far less liquid and attracts more short-term speculative interest, the white metal will be characterised by a high degree of volatility this year. Indeed, as we expect economic growth to slow later in 2011, particularly in many advanced economies, this is expected to trigger a major sell-off in commodity products including silver, which could fall below $24 at its lowest point, before bargain hunting re-emerges to support the price."

Rumors swirling: The U.S. government is planning to confiscate gold

Friday, February 25, 2011

http://www.thedailycrux.com/content/7032/Gold/eml

We've learned from well-known metals analyst and commentator Roger Wiegand, in an e-mail to silver analyst David Morgan which was subsequently published in Morgan's latest Silver Investor newsletter available only to subscribers, that several of Wiegand's high level inside sources have reported that the puppeteers behind the U.S. government, in order to facilitate a move into a new world currency are considering, or may have already begun moving forward with, a plan to confiscate gold and silver from the American public.

The following "Red Alert" was sent by Wiegand to other precious metals experts and analysts and is republished verbatim:

... There is a plan to use the IMF (AKA U.S. Treasury and Wall Street) to be the front man for the new world order and one currency.We also got disturbing news yesterday from an impeccable source that when gold touches $2,000 it's confiscated in the USA for about $200. Then it's to be reissued by the Treasury for $10,000 per ounce to back the new IMF world currency using SDRS in 2011. Large physical gold is being moved to Canada.

We've previously commented on the possibility of gold confiscation and other steps that may be taken by our financier controlled government in the event that gold does reach certain thresholds. Reaching these new thresholds, for example $2,000 or $5,000 per ounce, would suggest that the US dollar has likely crashed or begun a final collapse into oblivion, at which point, all credibility for this unit of exchange will have been lost in the eyes of the rest of the world.

Will this lead to confiscation? Even David Morgan himself, in a recent YouTube interview, suggested that confiscation in the traditional sense was "ridiculous" and an argument that he doesn't buy.

Is Silver's Shine Worth Your Time?

Oct 18th, 2010 | By Andrew |
http://www.offthegridnews.com/2010/10/18/is-silvers-shine-worth-your-time/

Silver is often treated as a second-class metal when compared to gold, but lately, the smart money is giving silver the first-class treatment. Highly flattering articles are being published in the major financial dailies, and brokers are recommending that clients buy more silver for their portfolios. Along with this, all the traditional fans of silver – sound money proponents, survivalists, and fiscal conservatives – are sounding their trumpets. Yet just because everyone seems to love silver right now, does that mean it's truly a good idea for you to own?

The True Facts About Silver

Regardless of what is written about silver in the press or on promotional web pages, there are a number of facts about silver that dominate discussions of the metal. Some refer to them as the fundamentals of silver, while others don't refer to them at all. Yet these facts provide a valuable starting anchor for understanding silver as an investment or safety purchase.

- Silver has served as a unit of money since ancient times. The Bible, ancient Greeks, and Chinese dynasties all reference silver coin as a trusted and valued unit of commerce.
- Silver can only be mined or reclaimed from previously produced items. It can't be artificially created, which provides a hard limit on supply.
- There are approximately 600 million ounces of silver mined annually, while approximately 800 million ounces of silver are consumed annually.
- The price per ounce for silver in October 2000 was $4.83 on average, and by October of 2010 the price per ounce had moved to $23.86 on the COMEX exchanges.

From these facts, you can understand the basic levers of the silver markets. A history of trust in the metal, an inherently limited supply, and levels of demand that exceed new supply lead to sharp increases in price over time. Knowing the levers, the next important thing to understand about silver is what is driving the high levels of demand. This can help you decide whether the demand for silver is truly sustainable over time, and whether that demand is enough to keep the silver price rising indefinitely.

What Makes Silver Valuable
Silver is valuable for three reasons. It has collectible value, industrial value, and medical value. Each of these areas alone could successfully drive the market, so in combination they are a potent demand structure that keeps the silver price moving steadily higher. Exploring the factors behind each area will help you understand what drives the market.

On the collectible side, there are three main categories of silver collection. The first is the jewelry and art market, whose bracelets, trays, chains, rings, sculptures, and earrings consume an estimated 120 million ounces of silver annually. The second category is rare coin collectors, who primarily buy older silver coins with the intention of holding those coins for personal gain and prestige within their circle of collectors. The third category is silver bullion accumulation, which is primarily done by banks, investment groups, and individuals for portfolio stability, wealth building, and to serve as a hedge against global economic uncertainty.

From an industrial perspective, silver is a highly prized commodity because it is malleable, an electrical conductor, and has no ready substitutes. It can be shaped into almost anything and even broken down into molecules for nanotechnology. As an electrical conductor, this ability to be tiny and move power makes silver a part of cell phones, laptops, digital music players, and other popular consumer goods as well as scientific tools and robotics. Industrial uses consume 60% of the annual production of silver, and without a ready substitute, as long as these goods are in demand silver will be vital for businesses to have.

Last but not least, silver has a number of medical applications. It is anti-fungal, anti-bacterial, and has very few side effects in the human body. Silver salve is used to overcome persistent skin infections, protect the skin of burn victims, and treat bacterial growth. Colloidal silver can be consumed to fight internal infections and harmful bacteria. There are even companies who are weaving silver into fabrics for hospital waiting rooms to fight the spread of germs through casual contact. As long as there are individuals needing healthcare, (and taking into account the coming healthcare usage surge by Baby Boomers worldwide), the demand for silver for medical uses will remain strong.

Looking at these three main demand drivers for silver, it is clear that demand for the metal isn't going to disappear anytime soon. As a result, investors and collectors of silver can expect to earn a reasonable return on their money. At the very least, those holding silver can rest assured that their metal will never become wholly useless in the eyes of the world's collectors, businesses, and healthcare groups.

Starting A Silver Collection

Starting a silver collection is actually very straightforward. Silver is one of the more accessible precious metals. It can be bought online and delivered straight to your door, picked up from brick and mortar retailers or coin dealers, traded at local fairs and coin shows, or purchased and held virtually on your behalf. All you need to do to start is determine which kind of silver you would like to use as the foundation of your collection.

The choices are silver bullion or silver coin. Silver bullion is blocks of silver, usually in rectangular slabs or bars that are produced in one ounce, ten ounce, 100 or (rarely) 1,000 ounce increments. Coins can be from any government, in sizes from 1/10th of an ounce up to the dominant one ounce silver coin. The most popular silver coins for the average collector are US silver dollars in the one ounce size, while rare coin collectors often prefer Morgan silver dollars or ancient coins.

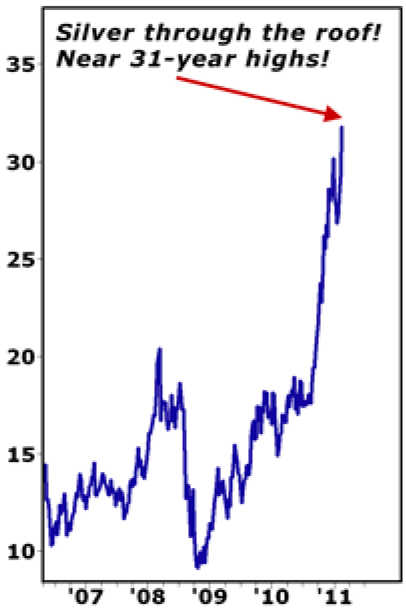
Given the ease of acquiring silver, the many demands for the metal, and the sharp price increases over time, it's no wonder silver is starting to get the first class treatment. This isn't hot air or a bubble scenario. The factors driving up the silver price – a limited supply and high demand – are measurable and logical. As a result, if you have been looking at silver with a skeptical eye, you now understand why so many people around the world are embracing silver as a smart choice.

Inflation surges! Silver near 31-year highs! Profit opportunities abound!

by [Martin D. Weiss, Ph.D.]()

Money and Markets Newsletter

http://us.mg3.mail.yahoo.com/dc/launch?.gx=0&.rand=d92a1ngmik7o7



Suddenly, the global inflation monster, long considered dead and buried, has returned with gale force ... and **silver**, one of the most sensitive to inflation, has just surged close to 31-year highs.

Just consider the depth, breadth — and sheer *power* — of the forces driving silver through the roof ...

Force #1 is the primary theme of nearly everything we've been writing for the past two years — Mr. Bernanke's wild money printing.

One year ago, for example, we showed you exactly what the Fed chief is doing in and pointed to the obvious result — a flood of dollars and surging precious metals.

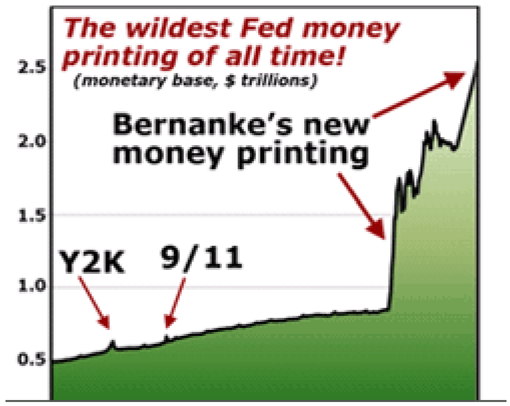
Then, this past November, we warned you still *again* "Fed money printing getting even wilder

Look. In the 219 years since the U.S. dollar was born, the United States has suffered through one massive flu pandemic, two great depressions, 11 major wars, and 44 recessions. But despite all those disasters, the U.S. government *never* abused its money-printing power ... until, that is, Bernanke came along.

Like a mad counterfeiter cranking out mountains of $100 bills to feed America's outrageous debt addiction, the Fed chief is literally running amuck.

Sound familiar? Perhaps to a student of the German hyperinflation of the 1920s. But nothing like this has ever happened in the United States — even in response to other recent threats to the economy.

Back in 1999, for example, when the Fed feared the Y2K computer bug would sink the banking system, Chairman Greenspan pumped in what experts thought was a huge amount of money.



Two years later, after the 9/11 terrorist attacks, the Fed AGAIN pumped in what experts said was a huge amount of money.

Force #2 driving silver higher is the natural, inevitable consequence of the Fed's money printing — inflation and inflation fears, especially in a world where the most populous countries continue to grow rapidly.

Are some folks still trying to persuade you that inflation is "tame"? If so, tell 'em to take a hike!

Sean Brodrick, Weiss Research's "Indiana Jones" of natural resources, reminds us that ...

- The FAO's Food Price Index reached an ALL-TIME high in December. Then, that record was smashed once in January ... and yet again here in February!

- The current food price surge alone has already pushed an additional 44 million people into extreme poverty, bringing the number of chronically hungry people to 1 billion — not exactly a comforting thought for sitting governments of the world, whether dictatorships or democracies.

- French President Nicolas Sarkozy is so alarmed by rising food and commodity prices, he's just warned the G20 countries of worldwide huger riots looming ahead.

John Williams of www.shadowstats.com puts it this way:

"The Federal Reserve's ongoing efforts at debasing the U.S. dollar have placed direct downside pressure on the exchange-rate value of the U.S. dollar and upside pressure on commodities priced in same. At work here not only is the impact of higher prices in dollar-denominated commodities such as oil and food, but also the spreading of those cost pressures into the broad economy."

Force #3 is the turmoil sweeping the Middle East and North Africa.

It prompts wealthy investors in the region to rush to precious metals in a big way.

It poses a major new threat to the world's energy supplies.

It creates a vicious cycle like none other:

- Surging costs for food and other commodities ...
- Social upheavals in response to higher prices, and then ...
- Still *greater* price surges as those very upheavals disrupt supplies!

End result: More inflation and a groundswell of investors rushing to the safety of precious metals like silver and gold.

Which one has the greater potential? Sean likes gold, but favors silver.

Reason: It's outperforming gold by a wide margin. And yet, while gold is already above its all-time highs (before inflation), silver is still far below. This gives silver far greater upside potential.

Eric Sprott Discusses Silver

Eric Sprott, of Sprott Resources, is a precious metals bull… He holds 70% to 80% of his fund in gold and silver (though he says silver is his largest holding. Sprott says the world is out of silver. Aggregate investment demand for silver between 2000 and 2009 was 293.8 million ounces (according to the GFMS, the world's foremost precious metals consultancy). Using his own numbers, Sprott compiles the silver holdings for seven large investors, including himself, iShares Silver Trust, ZKB, GoldMoney, etc. Just those seven entities own 519.6 million ounces of silver… That's 225.8 million *missing* ounces. And again, that's only seven investors. It doesn't include central banks, individuals, hedge funds, etc.

It's obvious, as Sprott notes, silver data has been "very, very *misstated*." Sprott said, "There's $22 billion of silver available in the world, of which the ETFs already own half, and between you guys and us we probably own the other half... Which means there's nothing left."

Sprott's argument only takes the investment demand for silver into account. And while investors do hoard silver, today more than 95% of the demand for silver comes from industry. And when that silver is consumed, it's gone forever. Silver's current production is just enough to meet the industrial demand. In other words, there is virtually zero new silver available for investment purposes.

The U.S. Congress established its monetary system in 1792 and agreed to mint coins using both gold and silver. At the time, you needed 15 ounces of silver to buy one ounce of gold. (In other words, what we call the "silver-to-gold ratio" was 15:1.) But in the early 20th century, world governments stopped backing their currency with gold. The ratio went haywire, cracking 71:1 during the Great Depression. Today, the silver-to-gold ratio is 43:1.

But for the first time in decades, people are viewing silver as a monetary asset again. And when silver's viewed as money, the ratio contracts. Will we return to the 18th century ratio of 15 to 1? Probably not. Even if silver doubled, the ratio would still only be 22:1.

What's the best way to buy silver? You can buy bullion or collectible coins. But this option is expensive for a lot of people (especially with silver prices near 30-year highs). You can also buy silver stocks or an ETF (like iShares Silver). But considering Eric Sprott's research, I wouldn't trust a silver ETF to deliver the silver it supposedly owns.

The Lowdown on the Commodities Run-Up

http://moneymorning.com/2011/02/23/commodities-boom-2011-coal-will-be-the-new-gold/

With commodities such as silver and gold, the prices are based on speculative demand. During the current run-up, loose global monetary conditions and the fear of inflation have served as the catalyst for record prices. For the last two years, governments around the world have used monetary policy as a tool to prop up their economies after the financial crash. That has pushed up gold and silver prices: The increase in the yellow metal has been moderate, albeit steady, while silver has doubled in the last 18 months.

However, interest rates are now rising in many countries, as central banks work to head off inflationary pressures. In both Britain and the Eurozone, interest-rate increases are quite close - in Britain, where inflation has already appeared there at the 4% - 5% level, and in the Eurozone, because the managers of the European Central Bank (ECB) are monetarily quite conservative.

It is already fairly unlikely that U.S. Federal Reserve Chairman Ben S. Bernanke will succeed in imposing another period of "quantitative easing" - involving large-scale purchases of U.S. Treasury bonds - after the current "QE" program expires in June.

By the fourth quarter, inflation stemming from the world's rising commodity prices may penetrate the notoriously insensitive price reports from the U.S.

Bureau of Labor Statistics (BLS). If that happens, Bernanke & Co. may be forced to start increasing interest rates by the end of this year - although the Fed chairman will no doubt do his best to delay and limit the process, as he and predecessor Alan Greenspan did from 2004 - 06.

With monetary policy gradually getting tighter - and trillions of fewer dollars in liquidity sloshing around the global economy - the upward pressure on gold and silver prices will decrease, although those won't disappear immediately.

GOLDEN FIREWORKS ARE ABOUT TO BEGIN

By Toby Connor
Sunday, February 27, 2011
http://goldscents.blogspot.com/

The gold bull is now on the verge of launching the most spectacular up leg of this 10 year bull market. This spring we should see the final parabolic rally of the massive C-wave advance that began in April `09 with a test of the 1980 high at $860

First off let me explain gold's 4 wave pattern (and no it has nothing to do with Elliot wave).

Gold moves in an ABCD wave pattern, driven not only by the fundamentals of the gold market (which I will get into in a minute) but also by the emotions of gold investors and the thin nature of the precious metals market.

The A-wave is an advancing wave that begins and is driven by the extremely oversold conditions created during a D-wave decline (more on that in a second). A-waves can often test the all time highs but rarely move above them. Usually they will retrace a good chunk of a D-wave decline.

The B-wave is a corrective wave spawned by the extreme overbought conditions reached at an A-wave top.

The C-wave is where the monster gains are made. They can last up to a year or more. The current C-wave is now almost two years old. They invariably end in a massive parabolic surge as investors and traders chase a huge momentum driven rally.

Of course as we all know parabolic rallies are not sustainable. So the final C-wave rally ends up toppling over into a severe D-wave correction as the parabola collapses. This is about the time we hear the conspiracy theorists start crying manipulation. In reality all that has happened is that smart money is taking profits into a move that they know can't be sustained.

Then the entire process begins again.

Next, let me show you the fundamental driver of the secular gold bull. It's probably no surprise to most of you that the Fed's ongoing debasement of the dollar is one of the main drivers of this bull. But let me take this one step further and show you how the dollar's three year cycle drives these major C-wave advances and how the move down into the dollar's three year cycle low always drives a final parabolic C-wave rally

Let's begin with a long term chart of the dollar. I've marked the last 7 three year cycle lows with blue arrows. The average duration from trough to trough is about 3 years and 3 months. As you can see the dollar is now moving into the timing band for that major spike down in the next 2 to 3 months.

The extreme left translated nature (topped in less than 18 months) of the current cycle gives high odds that the final low when it arrives will move below the last three year cycle low. That means that sometime between now and the end of May we should see the dollar fall below the March `08 low of 70.70.

That crash down into the final three year cycle low will drive the final parabolic move up in gold's ongoing C-wave advance. Every major leg down in the dollar has driven a major leg up in gold since the bull began. I really doubt this time will be any different.

I will be watching the dollar over the next couple of months for signs that the three year cycle low has been made. Because once the dollar bottoms and begins the explosive rally that always follows a major three year cycle low it will initiate the severe D-wave correction in the gold market. Gold investors will want to exit at the top of the C-wave if at all possible and avoid getting caught in the D-wave decline.

There is a developing pattern on the gold chart that once it reaches its target will be a strong warning for traders and investors to exit so they don't get caught in the D-wave profit taking event as the parabola collapses.

This T1 pattern is a four part pattern with the first and second legs up being almost equal in magnitude, separated by a midpoint consolidation that allows the 200 day moving average to "catch up". The current T1 has a target of roughly $1650ish once gold breaks out of the consolidation zone.

The fourth part of the pattern is the D-wave correction which should retrace to test the consolidation zone between $1300 and $1425. At that point the next A-wave will begin and we'll repeat the whole process all over again.

Let me be clear though. I have no desire to buy gold. I doubt I will ever buy another ounce of gold again. The real money will be made in silver during this final C-wave advance and in the miners (I prefer silver miners).

During the last major moves higher in the gold market, miners, which are leveraged to the price of gold, stretched 35% to 45% above the 200 day moving average. At the latest peak the HUI was only 25% above the mean - a strong clue that this was not the final C-wave top.

I expect we will see the HUI stretch 40 to 60% above the 200 DMA at the final top later this spring. But like I said, I really have no desire to buy gold or the major gold miners. The real money is going to be made in silver and silver miners.

Silver has been exhibiting exceptional strength compared to gold for 7 months now. The consolidation on the silver chart is much larger than on the gold or gold miner charts. I expect that massive consolidation to drive silver up to test the old 1980 high of $50 by the time gold puts in its final C-wave top.

The time to get on board is before gold breaks out of the consolidation. Once it does the parabolic move should be underway and your chances of a significant pullback to enter the market will decrease significantly.

Gold-Backed Money Being Revived?

By Alena Mikhan, Andrey Dashkov

http://us.mg4.mail.yahoo.com/dc/launch?.gx=1&.rand=5ko9r48i19na5

Several legislative initiatives caught our attention recently. All of them are related to the monetary role of gold and range from proposals to return to the gold standard, to minting gold and silver as an alternative currency, to having all state transactions carried out in gold and silver coins, to permitting citizens to run their own mints

Do these proposals signal a significant attitude change among politicians and mainstream economic institutions toward gold? No. They are largely regarded as fringe ideas and dismissed out of hand. The third link above is written in a condescending tone that implies everyone knows that the gold standard is bad for an economy and it caused the Great Depression. Still, it's quite telling that opinions that gold can be incorporated into modern economy are becoming numerous, and actually making it onto the legislative agenda in various jurisdictions.

Last November, clearing house ICE Europe began accepting gold bullion as initial margin for crude oil and natural gas futures. This year, JPMorgan Chase announced that it would accept physical gold as collateral for a number of transactions. According to the WSJ, stock exchanges in New York, Chicago and Europe recently agreed to accept gold as collateral for certain trades, too. The World Gold Council is gaining traction in its push to have the Basel Committee on Banking Supervision accept the precious metals as a Tier-1 asset for banks, along with government bonds and currencies. Private and public institutions alike are clearly rethinking their attitude toward gold. Perhaps most telling of all, the world's central banks were net buyers of gold in 2010and in 2009, after being net sellers for the previous 20 years. As World Bank President Robert Zoellick said last November, gold has become the "yellow elephant in the room" that needs to be acknowledged by policymakers of major economies.

No one can predict exactly how this will all shake out, but Doug Casey has long said that a return to a gold standard, or some modern equivalent, is almost inevitable. That's because, for the reasons Aristotle outlined 2,000 years ago (it's durable, divisible, consistent, convenient, and has intrinsic value), gold is hands-down the world's best money.

Now, Gresham's Law tells us that bad money drives out good, but that's only true when legal tender laws hold sway (incentivizing people to hoard what's perceived to be "good" money and spend the "bad" money as fast as they can). When people give up on the local legal tender, Gresham's Law goes into reverse, and good money chases out bad. The dollarization of third-world economies is an example of this, the dollar being perceived as being good when compared to many shakier currencies.

So, what happens if fiat currencies as a class start to be perceived as bad money? Gresham, and history, tells us that they'll eventually be abandoned, unless made good (put back on some acceptable standard of value, like gold). The key point here is that it can't happen just a little bit, just as you can't get a little bit pregnant. Once it starts, the good money will drive out the bad, and in today's wired global economy, the phenomenon will be worldwide, fast and devastatingly thorough.

The investment implications, broadly, are obvious; you want to own gold for safety and speculate on gold stocks for profit. The details on how best to do this are the current raison d'être of our metals publications.

[In light of the information above, it seems that the Mania Phase of the gold bull market is getting closer every day. You'll want to stock up on gold, silver and sound large-cap mining stocks before the investing crowd catches on. There's still time, but it may be running short.

"Texas Straight Talk"

Congressman Ron Paul
February 21st:
On his House of Representatives website

"Without the Federal Reserve's massive expansion of credit throughout the 1990s and early 2000s, there could have been no excessive borrowing or explosion of subprime lending. Through easy credit, the Fed initiated the economic boom that created the dot-com bubble. When that bubble burst the Fed pumped additional liquidity into the system, which led to a new boom that created the housing bubble. And now the Fed's additional trillions of dollars in monetary pumping is creating yet another bubble. This is the exact opposite of stability in the marketplace and has nothing to do with free markets. It is central economic planning at its worst.

It is imperative that the historic record accurately reflect what actually happened. In the popular press we see columnists attempting to blame the financial crisis on the 'small-government,' 'free-market' policies of President Bush. Hundreds of billions of dollars in stimulus payments, a $700 billion bailout program, and trillions of dollars of Federal Reserve credit facilities hardly represent small-government and free-market principles in action! On the contrary, these government interventions by both major parties demonstrate quite clearly our nation's acceptance of crony capitalism.

Schoolchildren today are taught the myth that Herbert Hoover was a small-government President who did nothing to stop the Depression, while the truth is exactly the opposite. Fed Chairman Bernanke failed to understand the true cause of the Great Depression, so his policy prescriptions to combat the current crisis are understandably flawed. Unless we confront and correct false economic rhetoric, truly understand the causes of the economic crisis, and do away with our loose monetary policy, we will find ourselves in ever more vicious business cycles."

Short term correction for silver likely

While David Morgan still expects to see silver hit $40 an ounce this year, he says the gold:silver ratio could come back toward 50 or even 60 and, adds, a correction could be on the way

Author: Geoff Candy, Tuesday , 01 Mar 2011

Silver continues to hit new highs and headlines as investors look to it as, among other things a safe haven but, there are some that think caution is warranted in the short term.

Speaking to Mineweb.com's Metals Weekly, silver guru and author of the Morgan Report, David Morgan said that, although he is still very bullish about silver in the long term "with everybody screaming that silver can only go up from this point onward", he is beginning to get cautious.

Firstly, he says, " sentiment is too high and secondly gold hasn't really confirmed this move yet - it's very close to breaking out, it has a triple top around the US$1,424 level... and it hasn't broken through there significantly yet."

Morgan says that if gold does break out significantly, then silver is likely to continue its run but, he says current indications are that gold is looking to correct.

"With all of this geopolitical tension it [gold] should be soaring to new highs and it's not doing so. I've seen it time and again that people say gold is the best thing you can buy right now and I see it not reacting as favorably as it should be to what's going on, on the ground on the political front. When that takes place the smart money usually is backing off the gold trade."

Morgan goes on to add that he believes there is a bit of an inflection point occurring in the market at the moment and that a correction may be on the way.

" My best guess is that we will see a consolidation fairly soon and we will probably see gold outperforming silver for a while still."

In other words, he says, the gold:silver ratio could come back to around 50:1 or even a 60:1 perhaps, depending on the kind of sentiment that takes over in the market.

"I haven't ruled out a deflationary sentiment - I don't think we're going to see true deflation, but with food prices doing what they're doing globally - let's face it, even a metal head like myself is more realistic than that, meaning that the top tier is food, water and energy. And, with food prices growing - that could take some of the wind out of metals at some point in the future."

Longer term

Over the longer term however, Morgan is far more bullish on silver and maintains that the metal will hit $40 per ounce this year.

And, once again, one of the major reasons for the growth is China. But, unlike in gold where we have seen a significant uptick in Chinese investment demand, it is in the industrial space that Morgan believes the Chinese have the biggest role to play when it comes to the silver market.

"The amount of silver buying in China by the population is not really that significant and most of it is on paper, "he says.

"More important," he adds, "is what the industrialization of China will mean to the silver market in China. I heard about that almost a decade ago - if you go back about 10 years ago and the amount of silver used on a per capita basis in China was one-seventieth of anybody in North America. So it's common sense to see as China becomes more and more technologically capable and starts to narrow the difference between their technology level and what it is in North America, that just by that alone we should see a massive increase in silver usage from the industrial side that very few people think about."

Silver is used in the majority of high-tech devices, albeit in very small amounts but, as Morgan points out, as China develops you have to begin multiplying all of those small amounts by 1.4bn.

" I'm not denying that there's physical investment demand in China," he says, "I'm merely pointing out that if every Chinese citizen had the lifestyle of the average North American citizen, that there would be a 70-fold increase on a per capita basis for silver than there was a decade ago."

100 ounce Sierra gold nugget to be auctioned off in March

By Carlos Alcalá, calcala@sacbee.com,
Published: Wednesday, Jan. 5, 2011
http://www.sacbee.com/2011/01/05/3299752/100-ounce-sierra-gold-nugget-to.html#ixzz1GbHMn0D5

Fred Holabird, a mining geologist, doesn't have to imagine, because a gold prospector brought one into his Reno office in 2010. Holabird remembers shouting, "Oh, my God!" or something similar, but not printable in a family newspaper. "I made some exclamation that was very, very loud," Holabird said Tuesday.

Holabird will auction what is now dubbed the Washington Nugget in March. The stunning piece of gold was literally turned up from the ground near the town of Washington in Nevada County.

It weighs nearly 100 ounces.

Current prices would make that gold worth about $135,000, but Holabird believes that the intact nugget is the biggest California nugget in existence and could be worth as much as $400,000. That's a fruitcake that won't be regifted.

To understand how it was found requires a little background. The gold in this lunker – as large nuggets are known – was formed in the same way as the little flakes that panners find. Gold was created as part of the underground processes that created the Sierra, and gradually was eroded out and washed downstream.

The Washington Nugget was part of an ancient riverbed with rocks that eventually cemented together, including the bones of prehistoric rhino- and hippo-like mammals, Holabird said.

Hydraulic miners took all the gold they could out of those deposits 150 years ago. "This ended up being a little piece that got missed," said Holabird. "This was a chance thing." Early last year, after storms eroded tailings off the cemented conglomerate, a property owner – his name is not being revealed – went out exploring. "They got a huge reading on the metal detector, " Holabird said.

It took heavy equipment to knock the nugget out of the ancient bed. The nugget's discovery has been known in prospecting circles, but it hasn't produced any rush akin to that of the 1850s.

"It's like winning the lottery," said James Hutchings, president of the local chapter of Gold Prospectors' Association of America. "They (prospectors) realize they're probably not going to get the big one."

The rise in gold prices has prompted a few people to go out and try to find the bits of gold that are still out there. "They don't realize looking for gold is hard work," said John Clinkenbeard, California's program manager for mineral resources. The mining companies that do that hard work aren't going to spend huge amounts on the slight odds that they might find such a lunker.

"It truly is not one in a million," Holabird said. "It's one in a billion." The Washington Nugget's finder brought the lunker to Holabird for his assessment. He researched the nugget's origin and that of others like it. "I tried to find out if any of the big ones still existed, and they don't," he said.

It's not that this one, at just over 6 pounds, is any kind of record. Nuggets with far greater weights – as much as 25 pounds – have been reported, though most are gold quartz rocks, not true nuggets, which have eroded out. Nuggets bigger than 100 ounces exist from other countries, too, such as Australia.

However, any true nugget that big from California has been melted down to bullion or coins, Holabird believes.

Holabird considers it his job to preserve Western mining history. To that end, he once helped the Sacramento Public Library's archives acquire a handwritten letter from John A. Sutter, owner of the land where gold discovery set off the big rush.

"Fred, when we talked, he said, 'I'd really rather have this go to an archive library,' " recalled Clare Ellis, then the librarian in the Sacramento Room.

Holabird gave the library enough time to raise the $7,500 to buy the rare document. And, shrewd businessman that he was, he sent it to Ellis to hold until the money was raised.

"Once I had it in my hot little hands, I had to have it," she said. Anyone desiring to have the Washington

Nugget in their hot little hands will have to wait until March 15, when it's auctioned. The auction site, when determined, will be announced on Holabird's website, holabirdamericana.com

It is on display at a Florida coin show this week, and in Long Beach in February, Holabird said. If he can find a suitable place in Sacramento before March, he will display it here, as well.

Visit our website at http://www.millenniumdiggers.com/

The Millennium Diggers Club is a group based in Keizer, Oregon, which is near Salem, Oregon. The club is for people that share an interest in searching for things of value. The club's charter is to provide members with a club that will help promote the hobbies of metal detecting, prospecting, rock hounding, and treasure hunting. Part of our yearly dues pay for mining claims that are available for all club members to use. We use club meetings to share information about locating gold, silver, coins, jewelry, gemstones, fossils and metal detecting. We plan club outings each month where we can help each other learn all aspects of our hobbies. This is a great family activity, bring the kids! Please feel free to drop in on one of the monthly meetings or outings.

We meet the 4th Thursday of each month, 7:00 p.m, at:

Clear Lake United Methodist Church
920 Marks Drive
Keizer, OR 97303

We use a double-wide manufactured on their property for our meeting place. After you turn off Wheatland road onto Marks Drive, the double-wide is the fifth house on the right. The church is located across the street from the Clear Lake Fire Station. There's plenty of parking in the church's parking lot.

To Contact Our Club Officers:

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Payable to:

Millennium Diggers Club
c/o Joe Greene, Treasurer/Membership
33180 Dorset Lane
Philomath, OR 97370
541 929-5745
milleniumdiggers@yahoo.com

Meeting Place:

4th Thursday of each month
7:00 to 9:00 pm
Clear Lake United Methodist Church
920 Marks Drive
Keizer, OR 97303