Weekly Commodity Markets Review

From: Joe Schmidt Date: May 25, 2012

Weather, weather, and weather—nothing else compares in terms of market impact for this week. Will forecasts for continued crop deterioration spread and intensify? Or will they lessen by matter of degree? The Euro crisis still lurks in the background, although taking back seat to weather worries. It still appears likely Greece will leave the EU one way or another. The EU can survive that, but there is global fear of "contagion", meaning other countries on the ropes financially may adopt Greece exit from the EU as a template, causing fear that the EU itself may unravel. The euro would plunge, the dollar would soar … and U.S. commodity exports would suffer. As we moved to week's end, broad commodity indices have dropped to a five month lows. Worries over the Greek situation continue to escalate, driving the Euro lower and propelling the U.S. dollar higher. U.S. dollar index is reaching its highest levels since September 2010.

Outside market action (crude oil, DJIA, gold and the dollar) will play a lesser role than weather, but still an important role in market action in commodities as these markets essentially gauge the "temperature" of concern about the general economic outlook into summer.

Flour Markets:

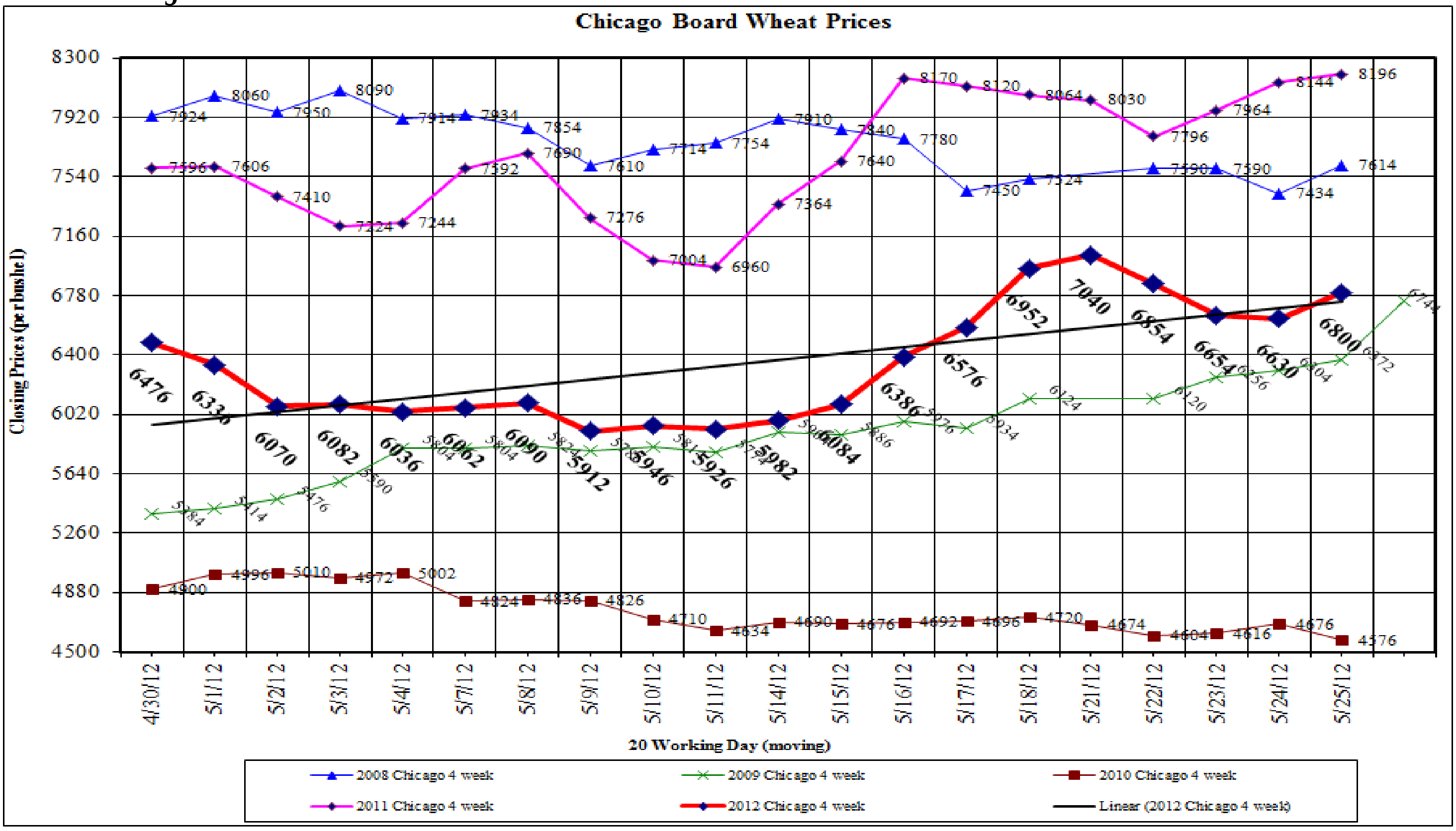
Wheat futures have come down this week after the rally from last week. U.S. wheat futures closed lower on forecasts for rains in FSU wheat areas and on pressure from the ongoing U.S. winter wheat harvest. Strength in the U.S. dollar and weakness in crude oil, soybeans and equities also put pressure on this week's trade. Basis levels remain steady. Winter wheat harvest has begun in Kansas and is reported 14% completed in Oklahoma. Dry, hot and windy weather in Kansas has wheat conditions declining this week. Spring wheat is planted with the first condition ratings of the season reporting 74% good to excellent. Weather continues to play a major role in the market domestically and globally. Hot and dry weather remains in place across Kansas this weekend which have some concerned about health of crops in Plains States. Even so, some of the weather premium is being taken out of the market. Wheat markets are falling on continuing forecasts for rains across Russia's drought-stricken breadbasket regions and the U.S. Great Plains.

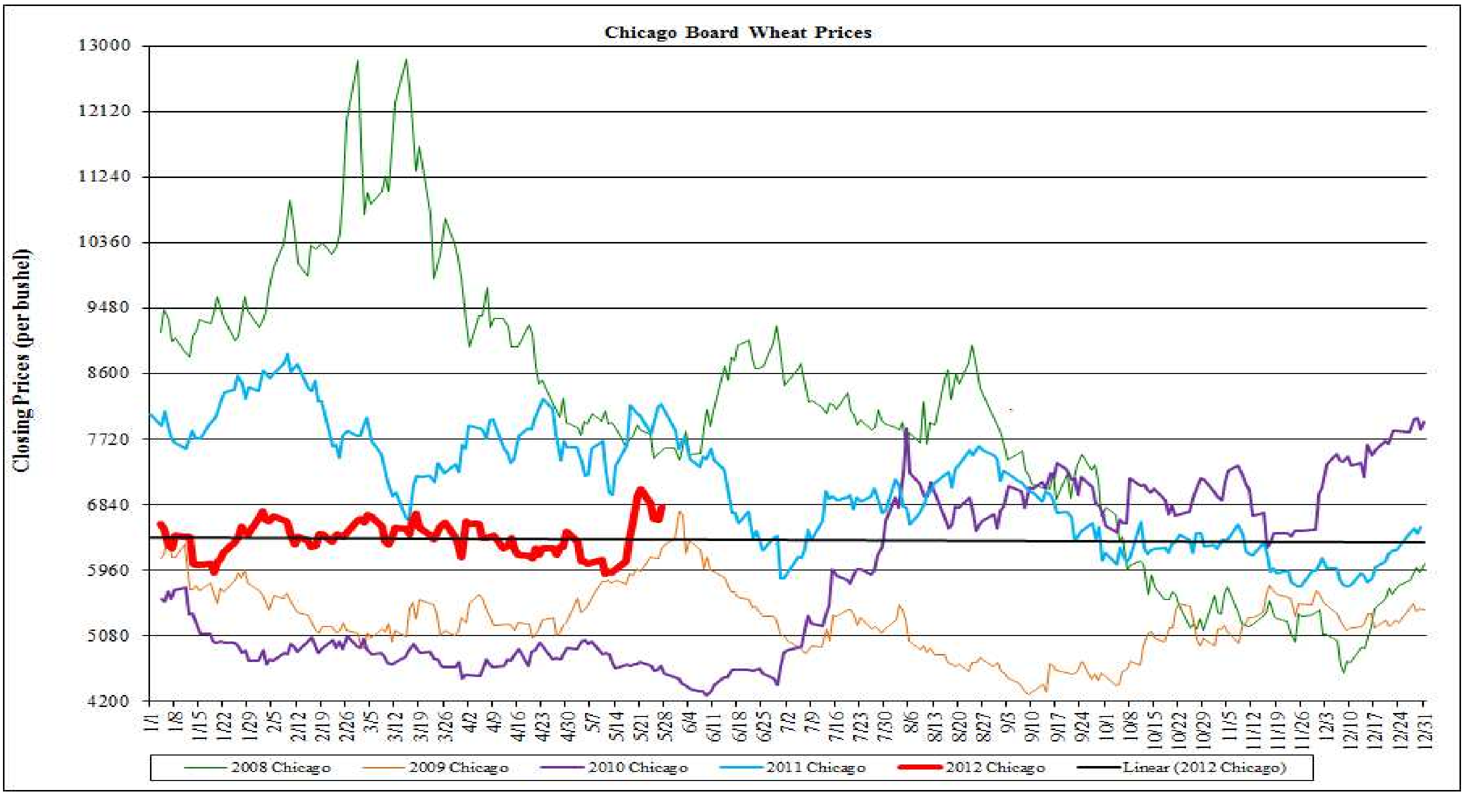
Rain entered the extended forecast for some of the troubled areas in the Great Plains and also in Russia. Merchants still expect the beginning of harvest in the largest state (Kansas) to put pressure on the cash market, unless we see lower-than-expected yields coming in. Ohio SRW basis continues to be unusually firm. Traders were expecting the U.S.D.A. to report combined old and new crop export sales for last week at 330,000-550,000 MT. U.S.D.A. put the actual figure at 72,400 MT, a marketing year low but net sales for 2012/2013 were 754,600 MT.

U.S. winter wheat crop conditions have declined over the past two weeks (another 2 points and off from 63% two weeks ago)—but still well ahead of last year's 32%. U.S. winter wheat conditions slipped to 58% good/excellent, 28% fair and 14% poor/very poor. KS again saw the biggest weekly loss, dropping 9 points to 43% good excellent. It was also the biggest weekly drop for Kansas since November 2007. Kansas topsoil moisture was rated 61% short/very short. Other declines: AR conditions fell 4 points to 49%, IL 2 to 80%, IN 4 to 70%, MO 2 to 63%, NE 8 to 60%, OH 1 to 54%, OK 1 to 75%, OR 6 to 71% and SD 4 to 69%. U.S. winter wheat heading at 79% compared with last year's and the normal of 59%. U.S. wheat harvesting at 3% compared with zero normally (OK 14%/TX 11%). AR was 14% harvested, OK 14% and TX 11%. In summary, the winter wheat crop (both HRW and SRW) are well ahead of normal progress—roughly 10-14 days.

U.S. spring wheat plantings came in at 99% versus 78% normal; spring wheat conditions are 74% good/excellent. U.S. spring wheat conditions were 74% good/excellent. U.S. spring wheat emergence at 86% was well above the 5-year average of 50%.

a. Chicago Board Wheat Prices

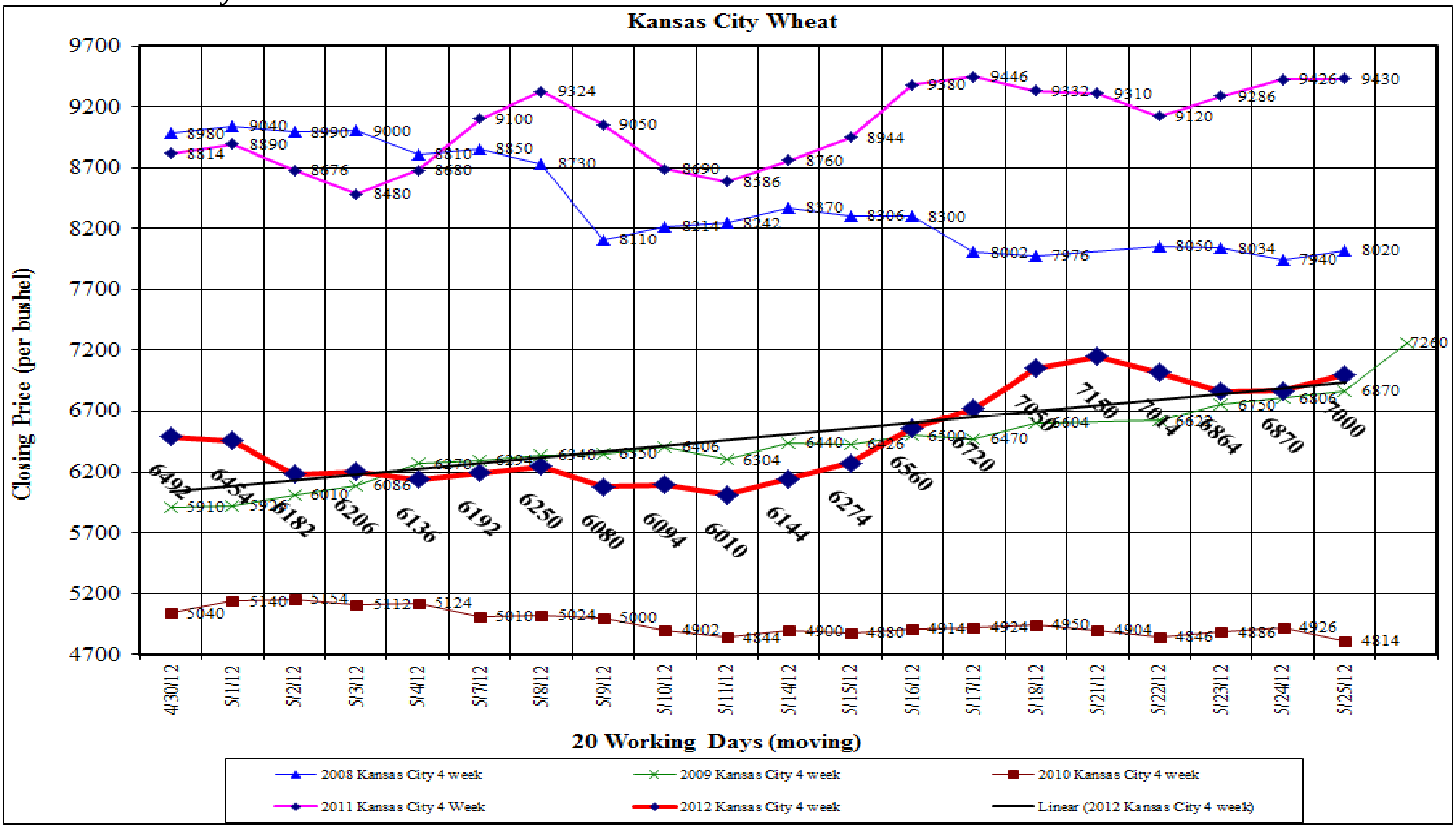


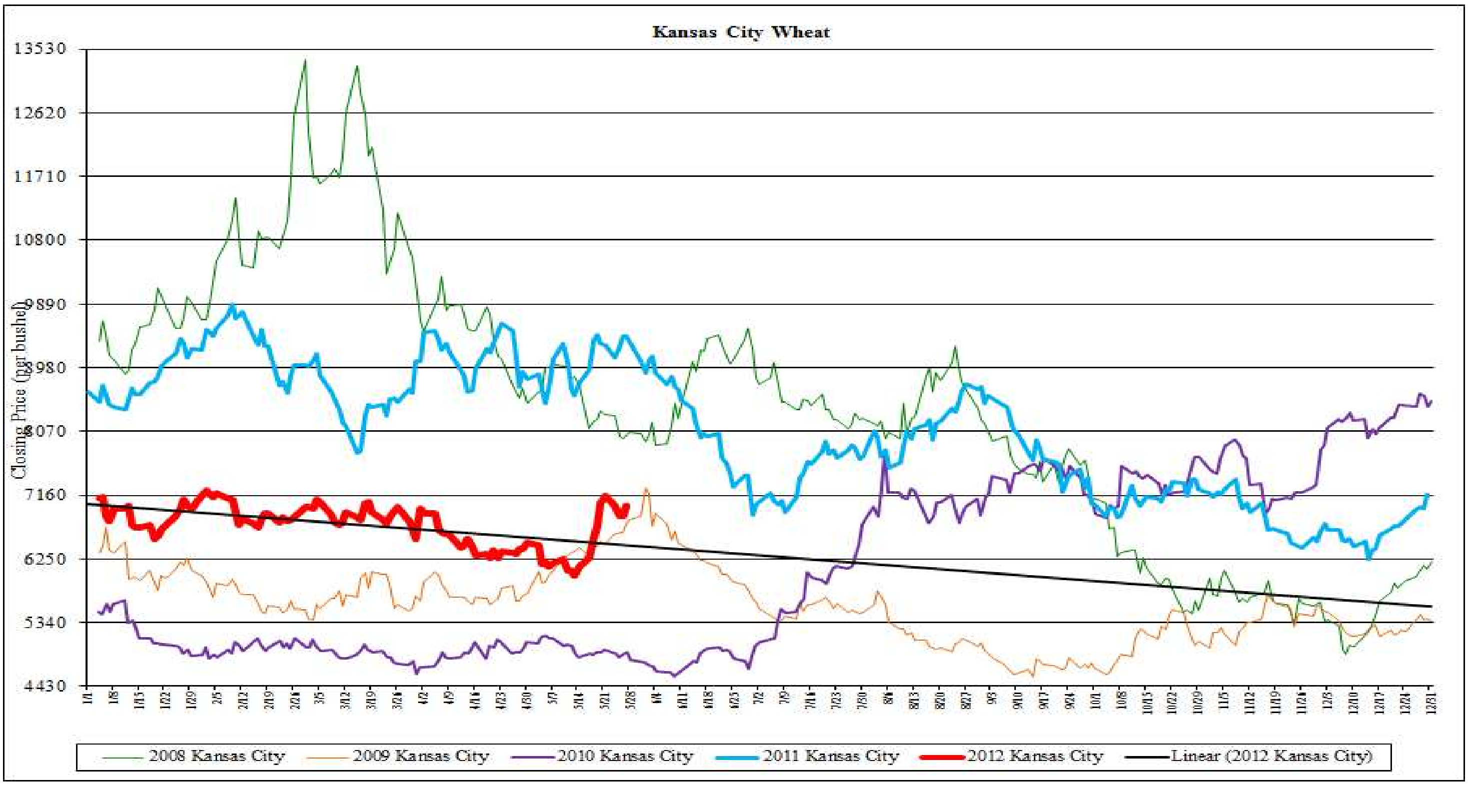


The Chicago Board chart above shows the price activity for the last 20 working days (one full period). Flour made from the wheat traded on this board includes **CAKE AND PASTRY** flours.

Cake and Pastry flour closed down $0.35/cwt. from last Friday's close.

b. Kansas City Board Wheat Prices

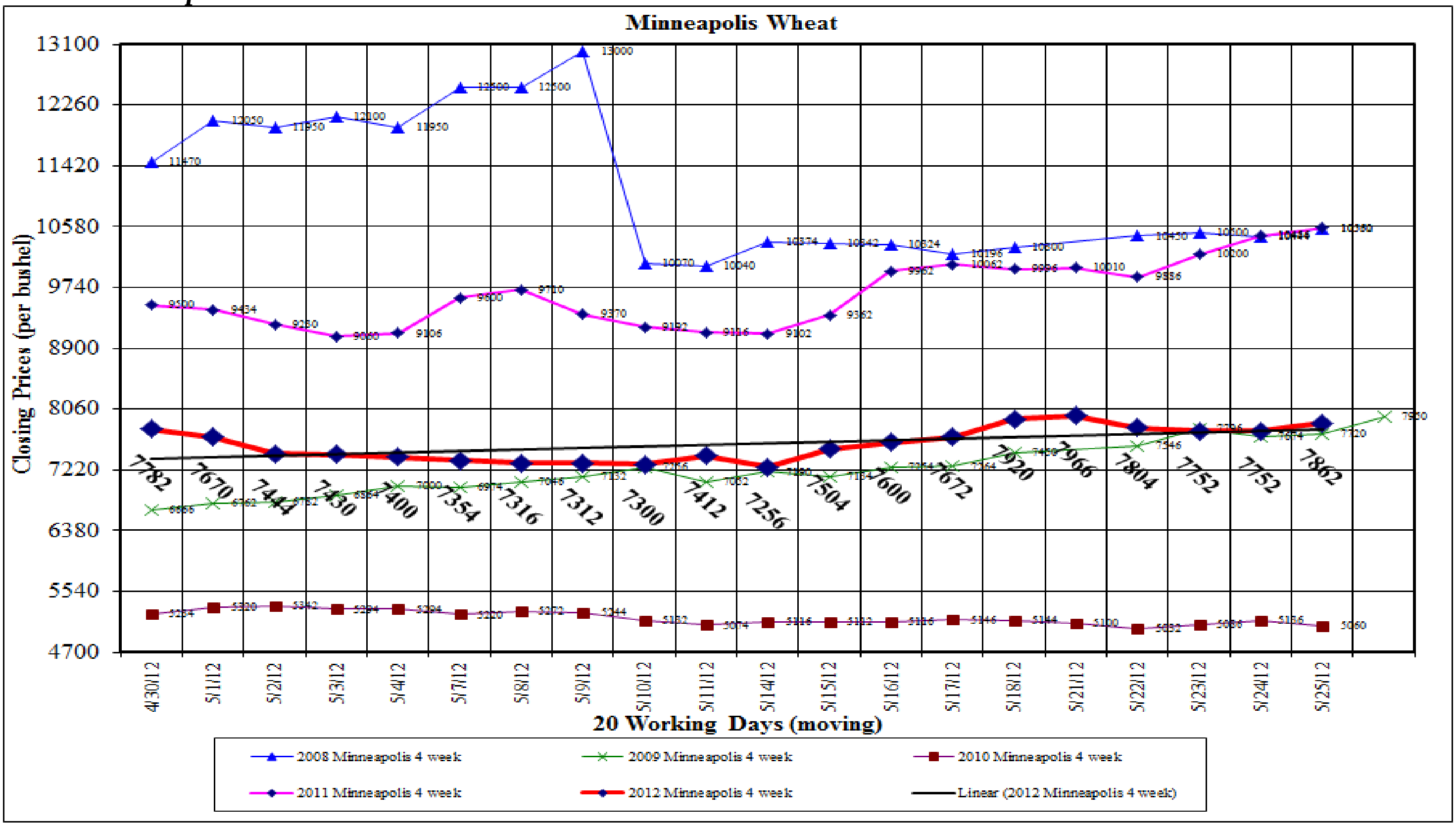


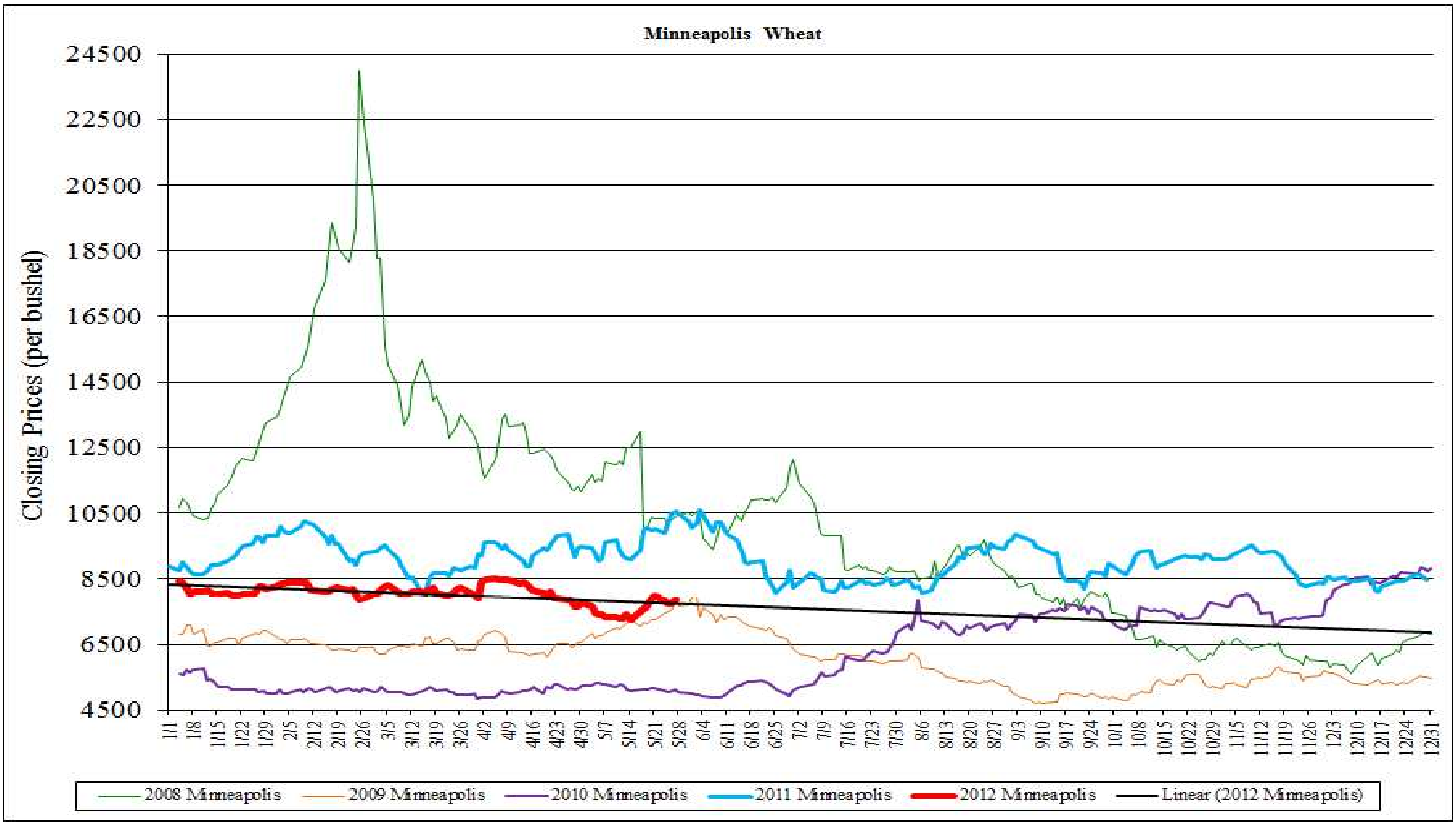


Kansas City Wheat is used to make **Hard Red Winter Patent flours (white pan bread) and H&R flours.**

Hard Red Winter wheat flour closed down $0.12/cwt. versus last Friday's close.

c. Minneapolis Board Wheat Prices





Minneapolis wheat is Hard Red Spring and is used to mill **high gluten and spring patent flours**.

The High Gluten flour market closed down $0.13/cwt. off last Friday's close.

Shortening Market:

Soy futures are still above the 100 day moving average. The aggressive Chinese import campaign is having the desired effect on their domestic prices, but also may be slowing current export purchases. Trade expectations for weekly export sales were in the 1.0-1.3 MMT range. U.S.D.A. put the actual weekly export sales at 800,100 MT for 2011/2012 marketing year and 153,600MT for 2012/2013 marketing year.

In addition to the funds simply exiting long positions in commodities on Eurozone economic jitters, the lack of strength in the corn market (unless a weather scare develops to threaten U.S. corn yield potential) continues to erode support for the historically high soybean prices. The soybean market can still attempt to solve perceived tightness in the new crop U.S. soybean balance sheet by trading the soybean/corn price ratio to higher levels to attract the necessary increase in planted area. The funds still have a large net long position in soybean futures and options, which makes the market vulnerable to additional liquidation unless the dry trend persists across the corn belt.

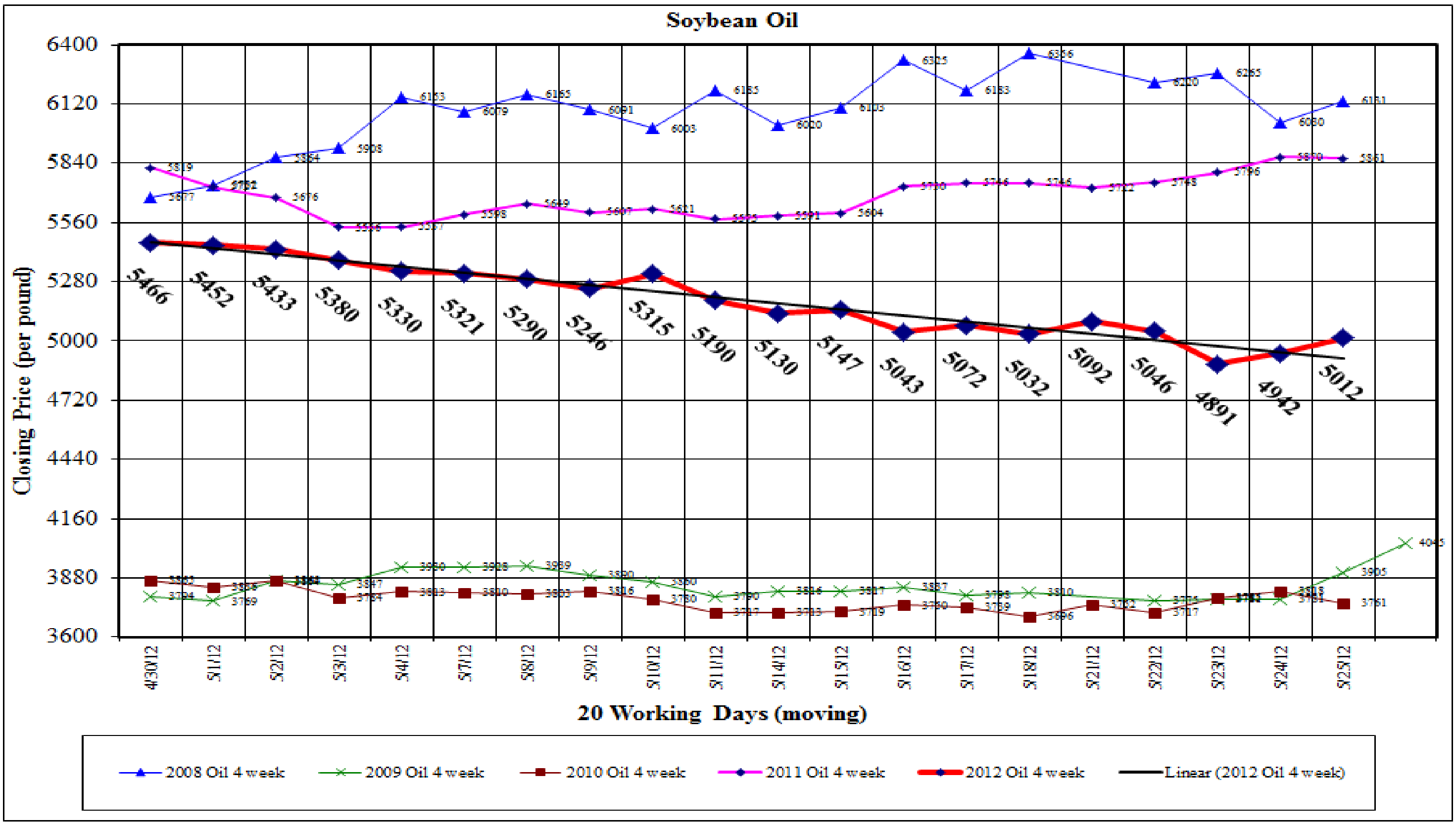
The weather forecast is calling for rain to move across the NW corn/bean belt and northern corn/bean belt, bringing much needed moisture. Reports out of China overnight indicated they canceled several soybean cargoes out of the South America. There were also rumors China was canceling vessels of coal and iron ore—market worrying over Chinese economic growth. While fundamentals are still bullish for the soybean complex, the technicals remain weak and funds are still holding on to a significant long position that could be liquidated anytime. Indian weather forecasts are looking at the development of El Nino late in the summer and its potential to produce a drier than normal monsoon.

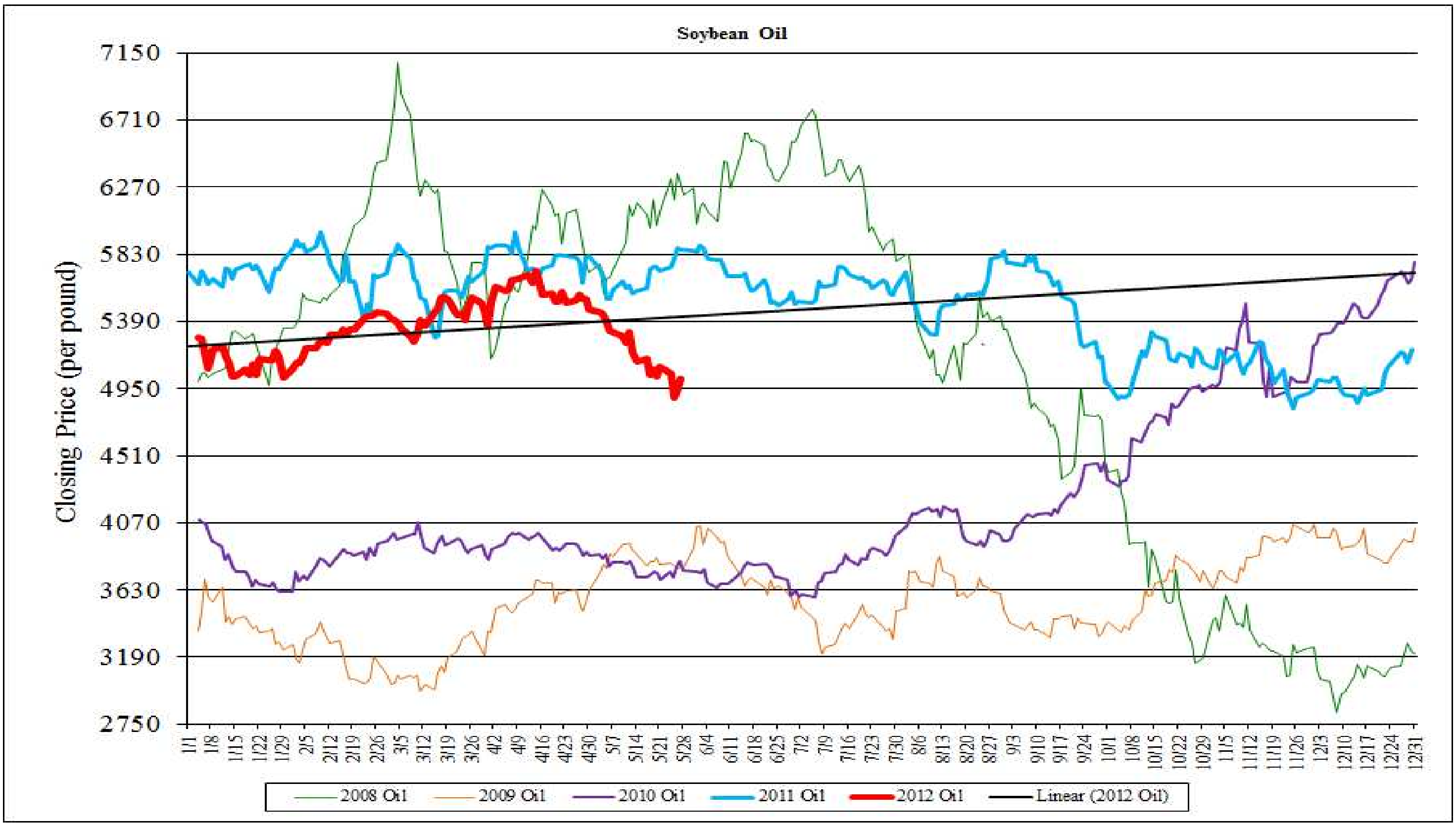
This week, U.S. soybean plantings were reported at 76%--more than double last year's 35% and well above the 5-year average of 42%. U.S. soybean emergence at 35% compared with 10% last year and the 5-year average of 35%. AR at 64% compared with the normal of 29%, IL 40% versus 13%, IN 62% versus 12%, IA 26% versus 13%, KS 28% versus 7%, MN 26% versus 11%, MO 28% versus 7%, NE 42% versus 12%, OH 37% versus 14%, SD 20% versus 2% and WI 6% versus 6%.

The soy complex was trading lower pressured by the fast planting pace and ideas that corn and bean yields will benefit from the fast start. The flurry of export activity seen over the past couple of weeks has died down and now the trade has to look to other news for direction. Some talk is surfacing about the dry down in topsoil conditions across the plains which are now starting to move into the corn belt. The hot/dry conditions will start to stress newly emerged crops if next week's forecasted rain events fail to materialize. In the interim we should see prices in the soy complex trade in a sideways pattern. Look for July soy oil to continue to establish a base in the 5050-5000 area so take advantage of any dips into this region an opportunity to add to your ownership.

Soybean oil futures closed below the December lows on weakness in palm oil as the funds build their net short position in soybean oil. Additional factors explaining the weaker soy oil market included fund selling, traders who bought meal/sold oil, weakness in the Chinese markets, sharp losses in soybeans and weakness in crude oil. Major supportive inputs included commercial buying, concerns that recent market declines have left prices near oversold levels, reports of improved demand from the U.S. biodiesel sector (margins improving) and concerns regarding upcoming downtime in the U.S. crushing industry (tightening supplies of U.S. oil).

Shortening closed down $0.11/50# cube ($0.08/35# pail of oil, $0.0022/lb. for bulk oil) for the week.


Soybean Oil
Closing Price (per pound)
20 Working Days (moving)
6400
6120
5840
5560
5280
5000
4720
4440
4160
3880
3600
5466
5452
5433
5380
5330
5321
5290
5246
5315
5190
5130
5147
5043
5072
5032
5092
5046
4891
4942
5012
2008 Oil 4 week
2009 Oil 4 week
2010 Oil 4 week
2011 Oil 4 week
2012 Oil 4 week
Linear (2012 Oil 4 week)


Soybean Oil
Closing Price (per pound)
7150
6710
6270
5830
5390
4950
4510
4070
3630
3190
2750
2008 Oil
2009 Oil
2010 Oil
2011 Oil
2012 Oil
Linear (2012 Oil)

Cocoa Market:

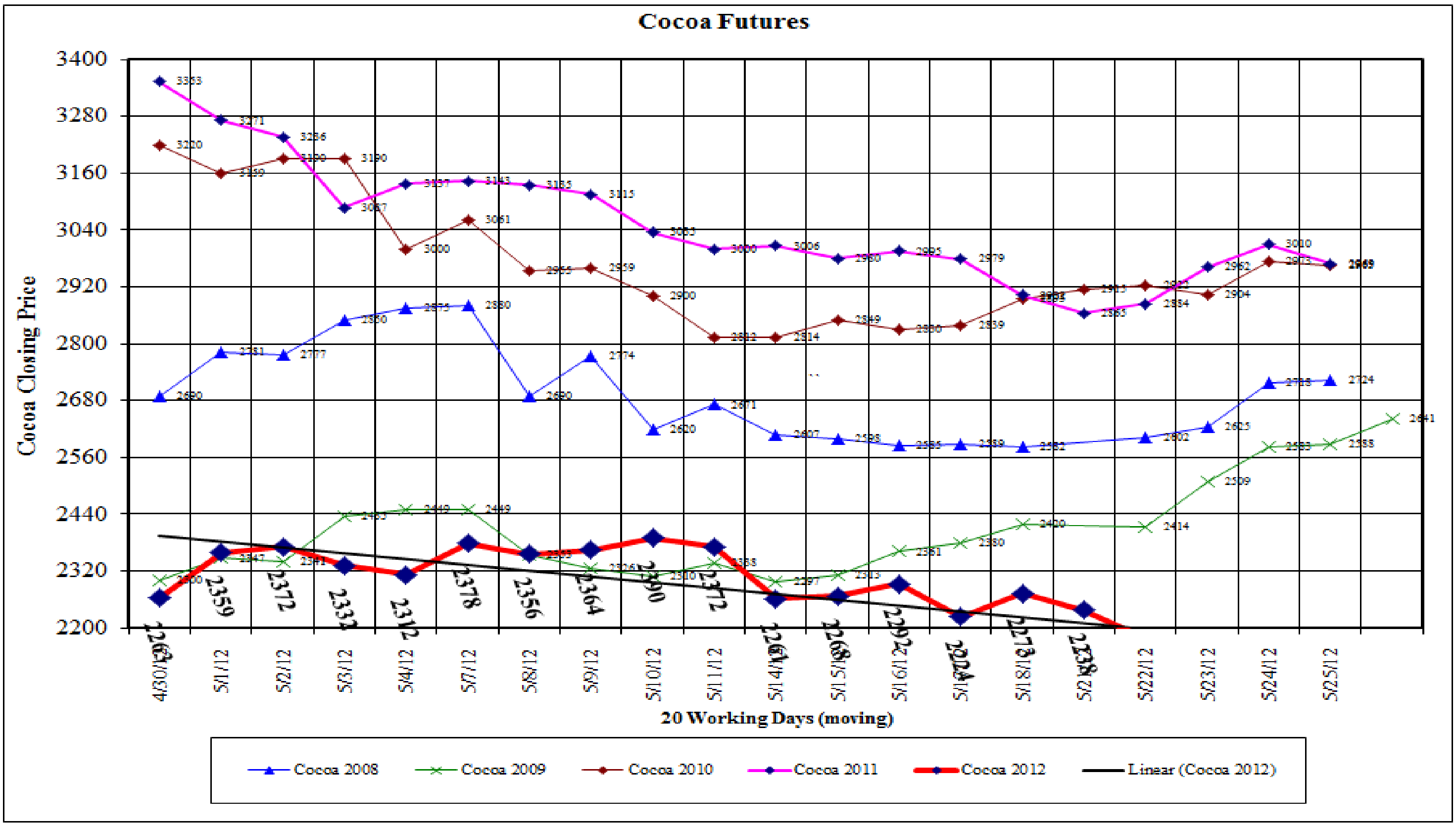
Cocoa futures are now in down trends for the short term, but in a longer term higher potential trading range. All West Africa countries are harvesting the midcrop now, and yields have been dropping off after a strong start. Rain is forecast for many areas now, and overall weather is called good for the next crop. Showers have been reported in most parts of West Africa in recent days. Traders note that Ivory Coast crops seem to be available and arrivals are reported. Arrivals there are reported to be good. Flowers are reported on trees there due to regular rains. Wire reports indicate that Nigeria offers have dried up as the Midcrop production has come in short. Ghana production is said to be short as well. Scattered showers and storms are expected in West Africa over the weekend. Temperatures will average near to above normal. Malaysia and Indonesia should see episodes of scattered showers. Temperatures should average near normal. Brazil will be mostly dry and warm. ICE certified stocks are lower at 5.186 million bags.

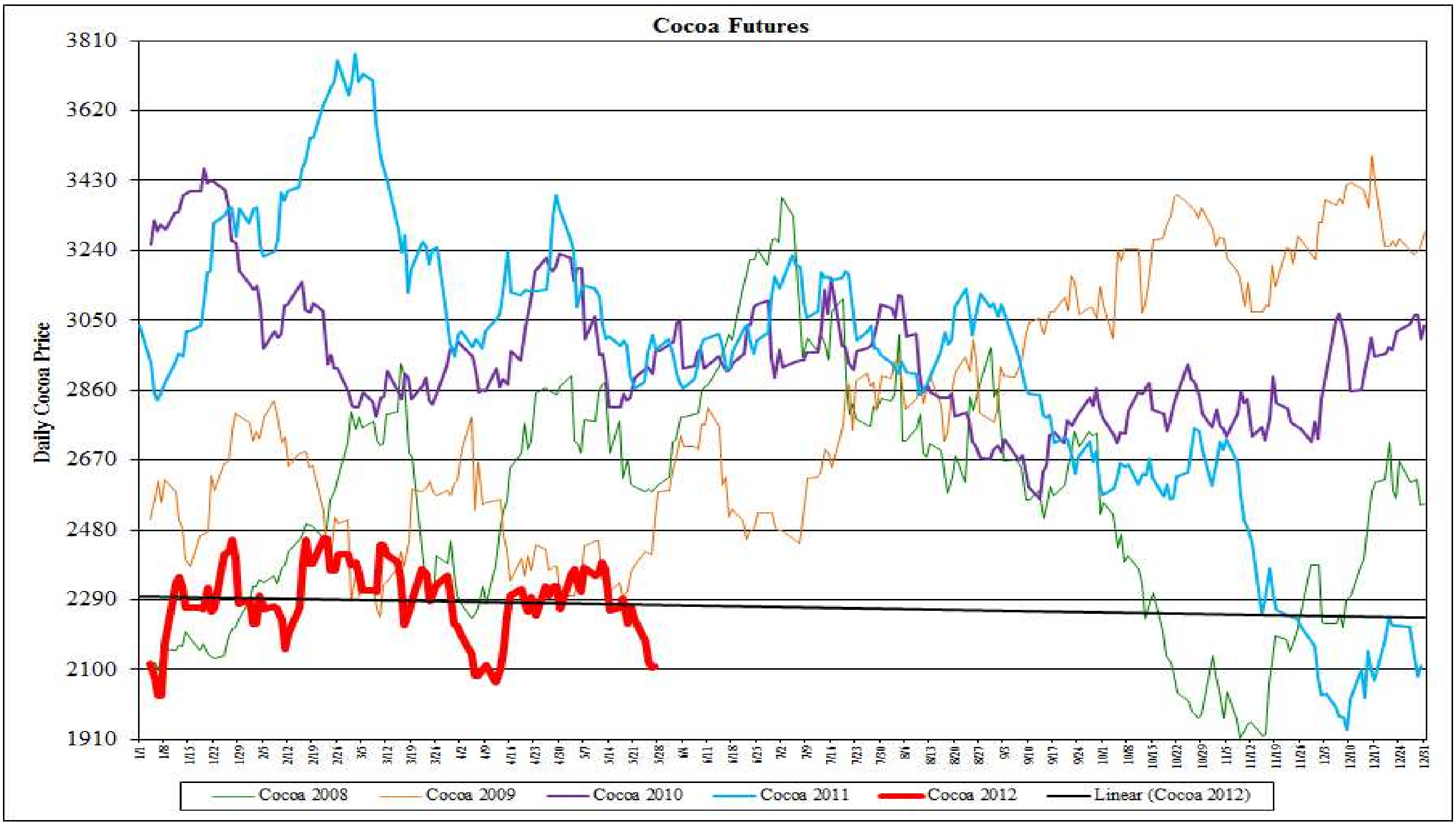
Cameroon's second main harvest is expected to get underway in two to three weeks. According to The National Organization of Cocoa and Coffee Producers some Cocoa has been arriving from Cocoa farms. This has signaled that Cocoa will soon be coming to market. Cocoa traders have decided to delay their buying until harvest begins. This has caused many Cocoa farmers to lower the asking price for their Cocoa. There had been concern that Cameroon's forecast record Cocoa production of 250,000 tons would not be reached. This saw demand for Cocoa beans to rise sharply over the last month. This is a strange predicament. Cocoa futures are under pressure, demand in the growing areas remains strong and farmgate prices are in a downtrend.

Intense rain and limited sunshine over the last month has created problems for Cameroon's Cocoa farmers. Those that dry their Cocoa crops naturally have had a hard time doing so. The distribution network has been adversely affected as well. The heavy rains have washed away portions of more than a few dirt roads. A shortage of government approved insecticide has Cocoa farmers in southwest Nigeria battling insect infestation. There is much concern that insect damage will negatively affect both output and quality of the regions Cocoa crop.

Barry Callebaut is the world's leading manufacturer of high-quality Cocoa and chocolate products. The companies Cameroon based branch, Sic Cacao purchased 28,033 tons of Cocoa from August 2011 through April 2012. Last season the company purchased 26,167 tons during the same time period. Cocoa Demand continues to climb due to demand from the worlds developing economies.

Cocoa closed down $163.00/ton for the week (compared to last Friday's close).

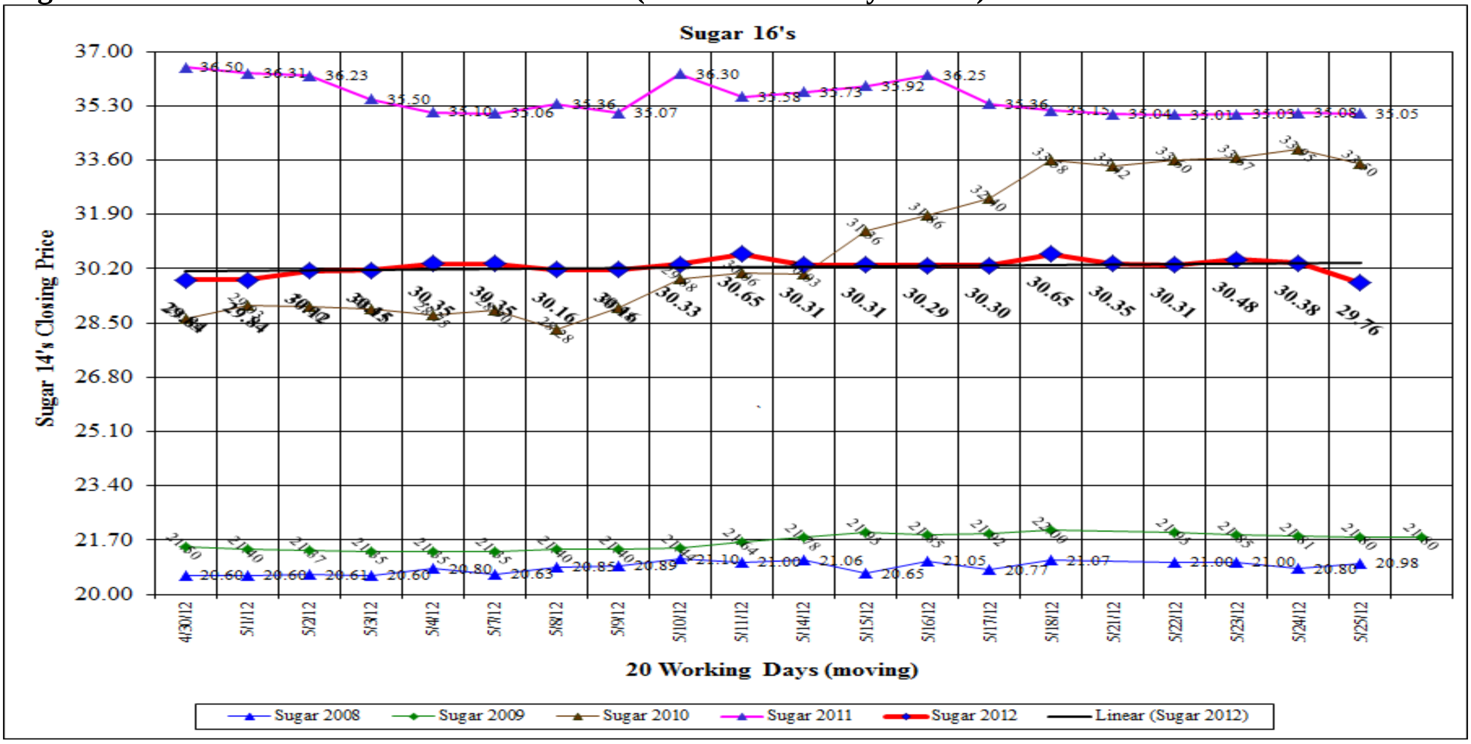

Cocoa Futures
Cocoa Closing Price
20 Working Days (moving)
Cocoa 2008
Cocoa 2009
Cocoa 2010
Cocoa 2011
Cocoa 2012
Linear (Cocoa 2012)

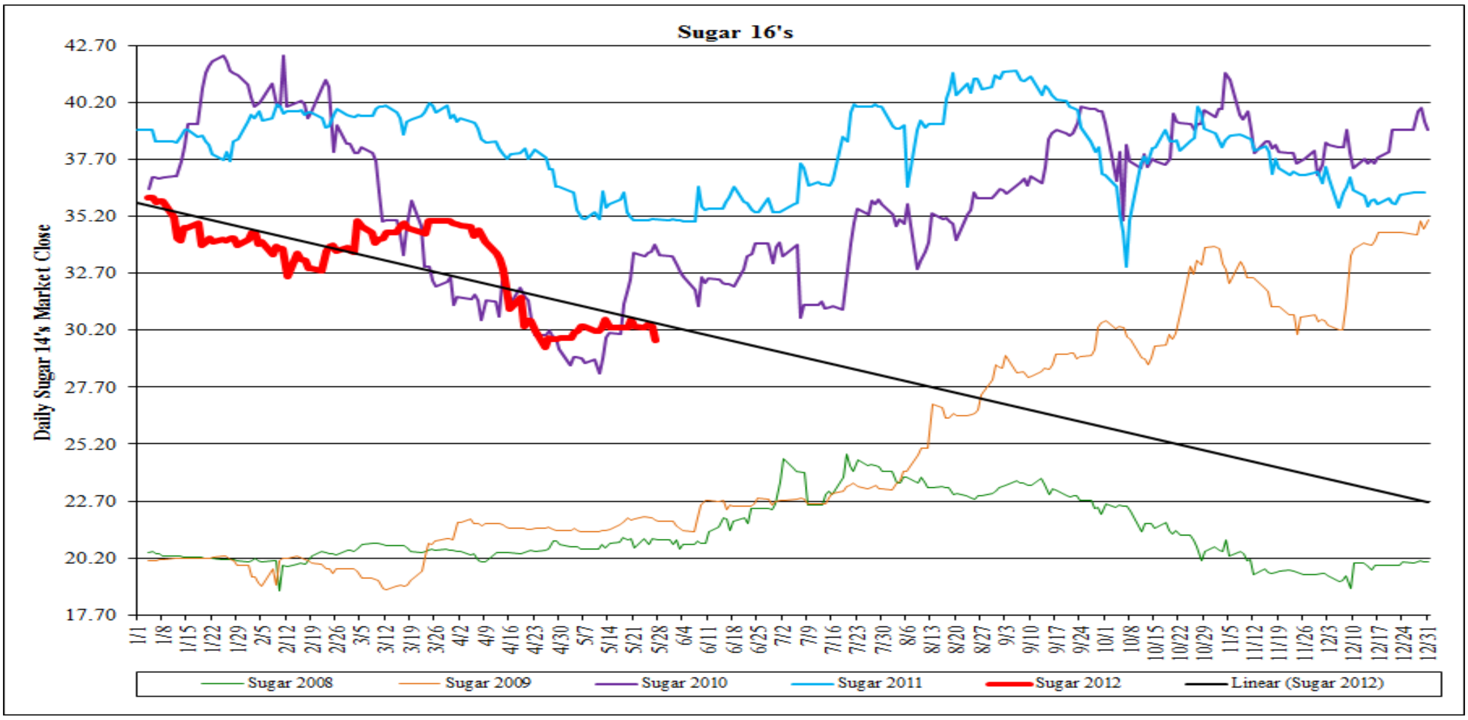

Cocoa Futures
Daily Cocoa Price
Cocoa 2008
Cocoa 2009
Cocoa 2010
Cocoa 2011
Cocoa 2012
Linear (Cocoa 2012)

Sugar Market
Sugars, as well as many other commodities are greatly influenced by rising U.S. dollar—the dollar hit multi-year highs against Brazilian Real and Indian Rupee, making their exports attractive on world market. Even though U.S. supplies are expected tighten in Q3, prices remain on the defensive. Keep in mind that if #11 futures continue to decline, Tier II sugar may become more of an option.

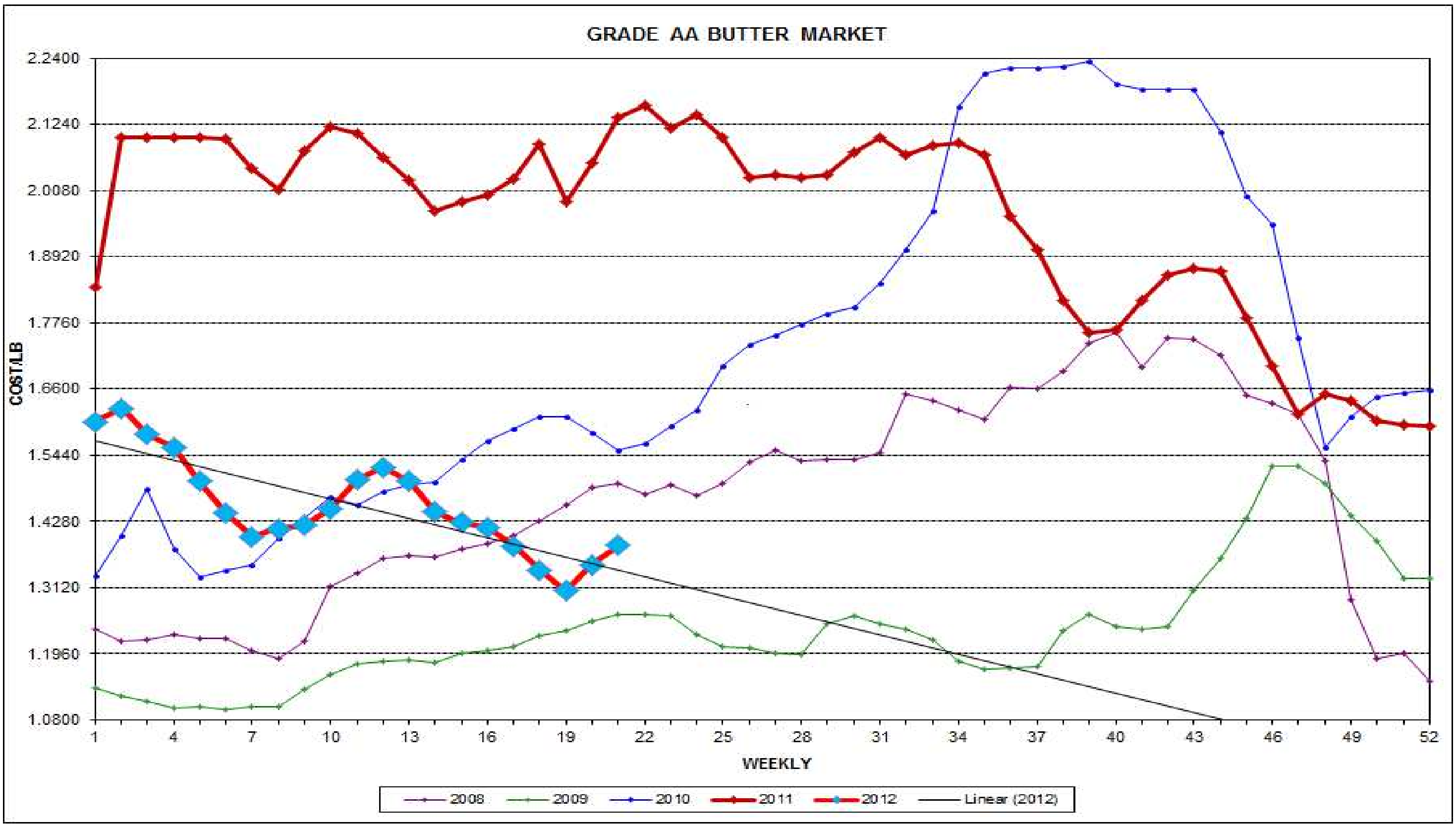
Domestic U.S. sugar prices remain weak and market is expecting them to remain such.

Sugar 16's closed down $0.89/cwt. for the week (versus last Friday's close)





Butter Dairy Market



Score AA butter closed “no change” on Friday, ending the week at $1.3875/lb. The weekly average is $1.386/lb. up $0.0345/lb. from last week’s average.

A. Butter Market

Butter pricing is firming this week for national and regional pricing points. Demand has been fair for the current time of year. Butter feature activity has been light to moderate, but expected to increase as more co-featuring is occurring with sweet corn and the unofficial start of barbeque season at the Memorial Day holiday weekend. Lower retail butter prices are also helping sales. Cream demand has increased this week, surprising many ahead of a holiday weekend. Multiples and overages are also higher. Cream supplies are declining due to less standardized cream available as school milk needs decline, lower milk output in some areas, and declining milk fat levels in milk. Butter production remains moderate to heavy at seasonal levels. According to the NASS Cold Storage report, stocks of butter as of April 30, 2012, total 253.9 million pounds, +79% or 112.1 million pounds more than April 2011. Stocks were 22% higher or 45.6 million pounds more than March 2012. Cooperatives Working Together (CWT) has accepted requests for export assistance to sell a total of 1.642 million pounds (745 metric tons) of butter. The product will be delivered May through November 2012. During 2012, CWT has assisted member cooperatives in making export sales of butter and anhydrous milk fat totaling 44.4 million pounds.

B. Dairy Powders

Nonfat dry milk contract sales prices in the Central region moved lower, based on variable indices that declined, but prices from some operations that set prices weekly report their prices firmed compared to last week. The market tone is mixed. All Eastern nonfat dry milk low heat prices moved lower, as did the upper end of the high heat price range. Prices for Western low/medium nonfat dry milk are mixed this week. Prices continue to move lower off the top ends of the range. Countering that, the bottom ends of the range moved higher as those low priced trades were not reported. Dry buttermilk prices are unchanged in the Central and eastern regions. Western dry buttermilk prices continue to trend lower. The market undertone remains weak. Prices for dry whole milk are unchanged to lower for the week in a lightly tested market. In the Central region, dry whey prices are lower and higher on a mixed market. Northeast dry whey prices moved lower at both ends of the price range. Western dry whey prices are lower and export competition moved some manufacturers to lower prices to maintain export sales. Lactose prices are both lower and higher on the range, with a mixed market tone. Whey protein concentrate 34% prices on both ends of the range shifted lower on a market in search of support. Casein markets are unsettled with prices generally holding steady.

Eggs

The table egg supply flock reached 282.5 million layers on May 1, a 0.4% increase from May 1, 2011. The flock is expected to grow throughout the remainder of the year by an average of 1% year over year. The egg-type supply flock fell to 2.98 million layers on May 1, a 1.78% increase from a year earlier. The egg-type supply flock is expected to decline at an average year over year rate of -0.6% through the rest of 2012. Table Egg production during April (normalized to a 30-day basis) was 6.54 billion eggs, a year over year decrease of 0.2%. Table egg production is expected to grow by an average of 1% year over year during the remainder of 2012. 2.06 billion eggs were broken during March, a decrease of 5% from the previous year. The number of eggs broken is forecast to see an average year over year increase of 1% through the end of the year. Liquid product prices are varied from year ago, as whites are down 8% while yolks are up 5%.

Liquid white and liquid whole production were both up almost 8% during April. Large table eggs are forecast to have an average price of $0.95/dozen in May (-6% versus year ago). Breaking stock eggs are forecast to have an average price of $0.47/dozen in May (-21% versus year ago), but prices are expected to firm through the end of the year as seasonal demand for product increases.

Retail demand continues to be reported in a range from fair to good. A reasonable amount of buyers have already placed their orders to get through the long holiday weekend. Demand is average for this time of year especially at locations lacking feature activity. Ads remain generally lackluster in terms of volume throughout the country. Those with promotions find the strongest consumer call. Sales below the dollar mark have had strong affects throughout the country, but current price trends make it unlikely that many more will be scheduled at these levels in the short term. Foodservice is expected to benefit from the long weekend, as Memorial Day is typically marks the start of summer vacationing.

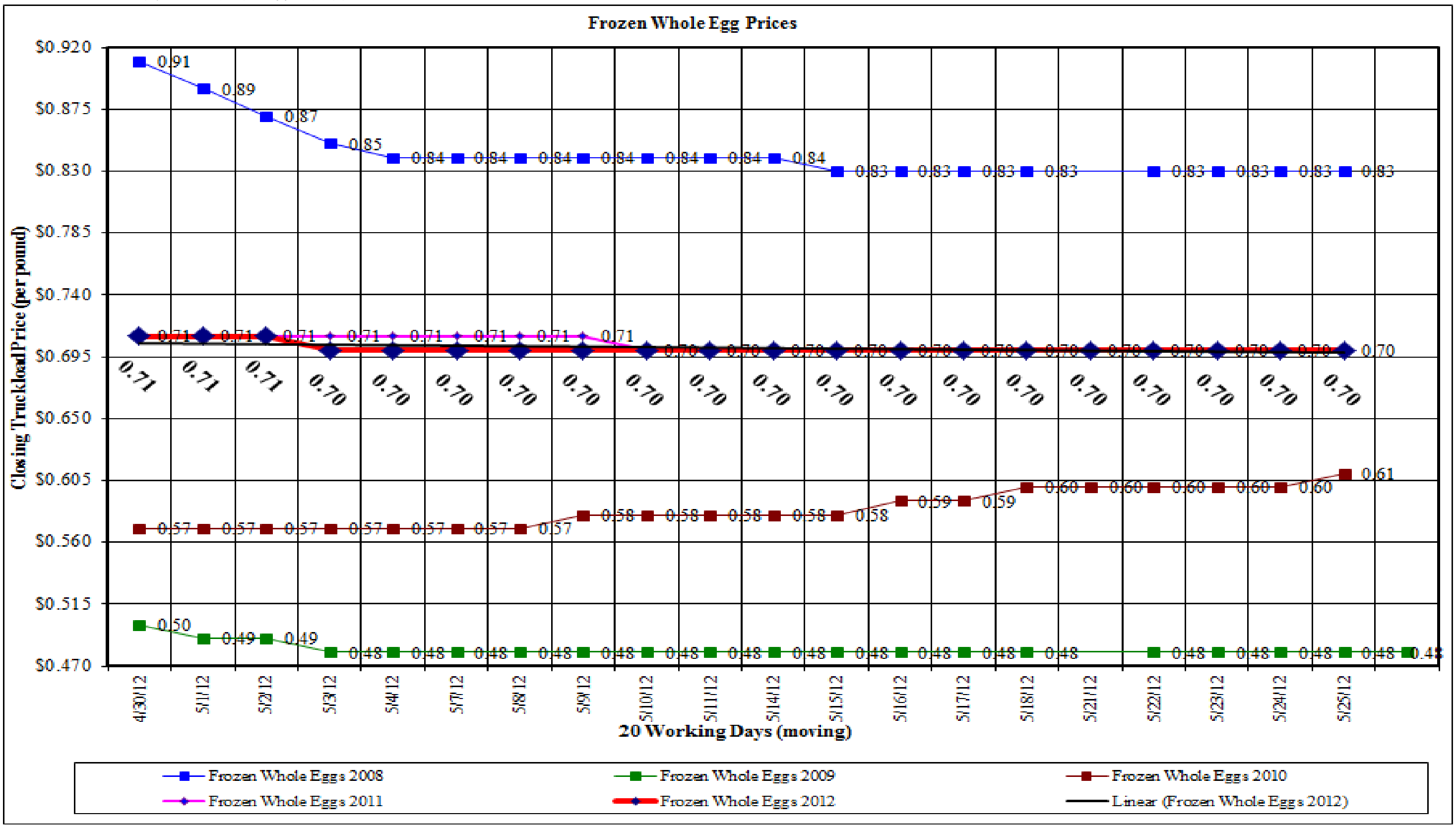
Wholesale traders are active; however the number of interested buyers seems to be declining. Bids to buy appear to be more easily filled by offerings, as some are beginning to manage their inventory positions for the week to come. Price levels remain at a premium in the extra-large and large categories though, as seller sentiment remains confident. Sales of both nest run and graded supplies are transacting above current market quotes. Buying interest is most notably stemming from the southern regions, where the stoutest premiums are being paid.

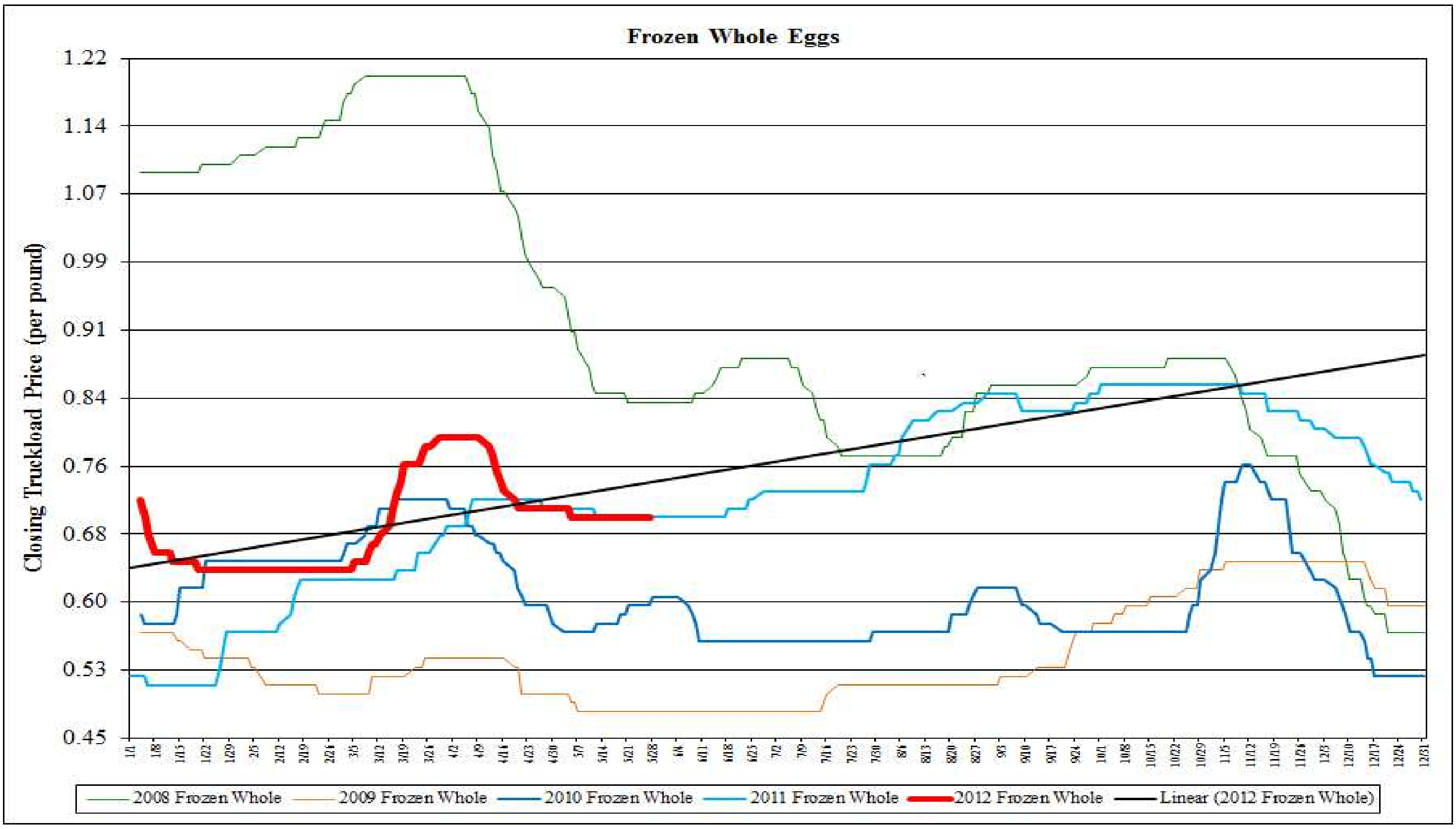
The shell egg market is steady.

The products arena is fairly inactive this week. Those previously looking for liquid whole egg have now either filled their needs or are being supplied with eggs once held for possible sale into the cartoned market. Liquid yolk continues to move at the low side of quoted prices, while spot white activity is minimal in volume but supportive in price. Sales in the frozen complex vary, but transaction averages support current market quotes. Buyers are probing for quotes in the dried market and are taking time to evaluate their offerings before signing contracts.

a.

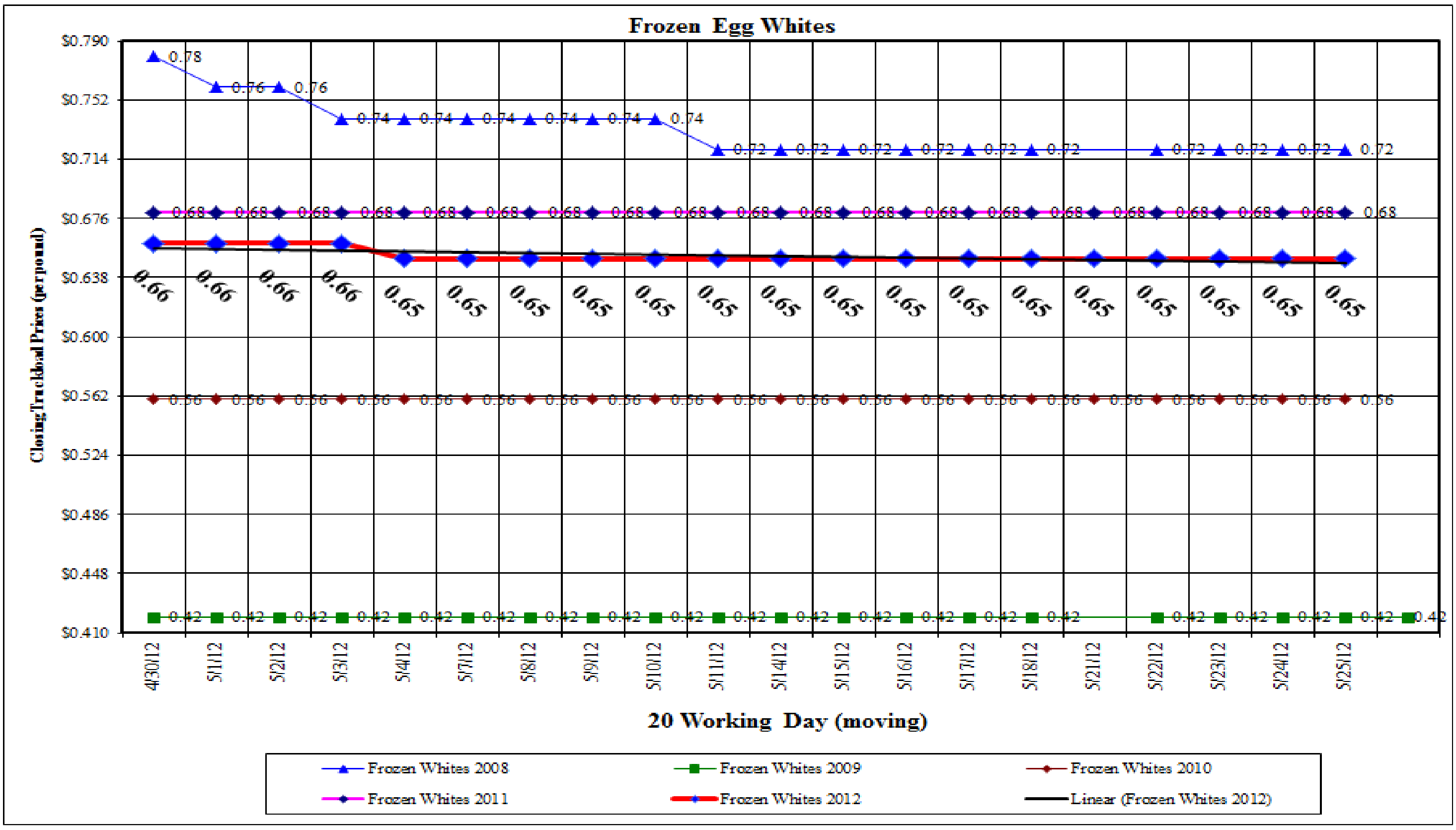
a. Frozen Wholes

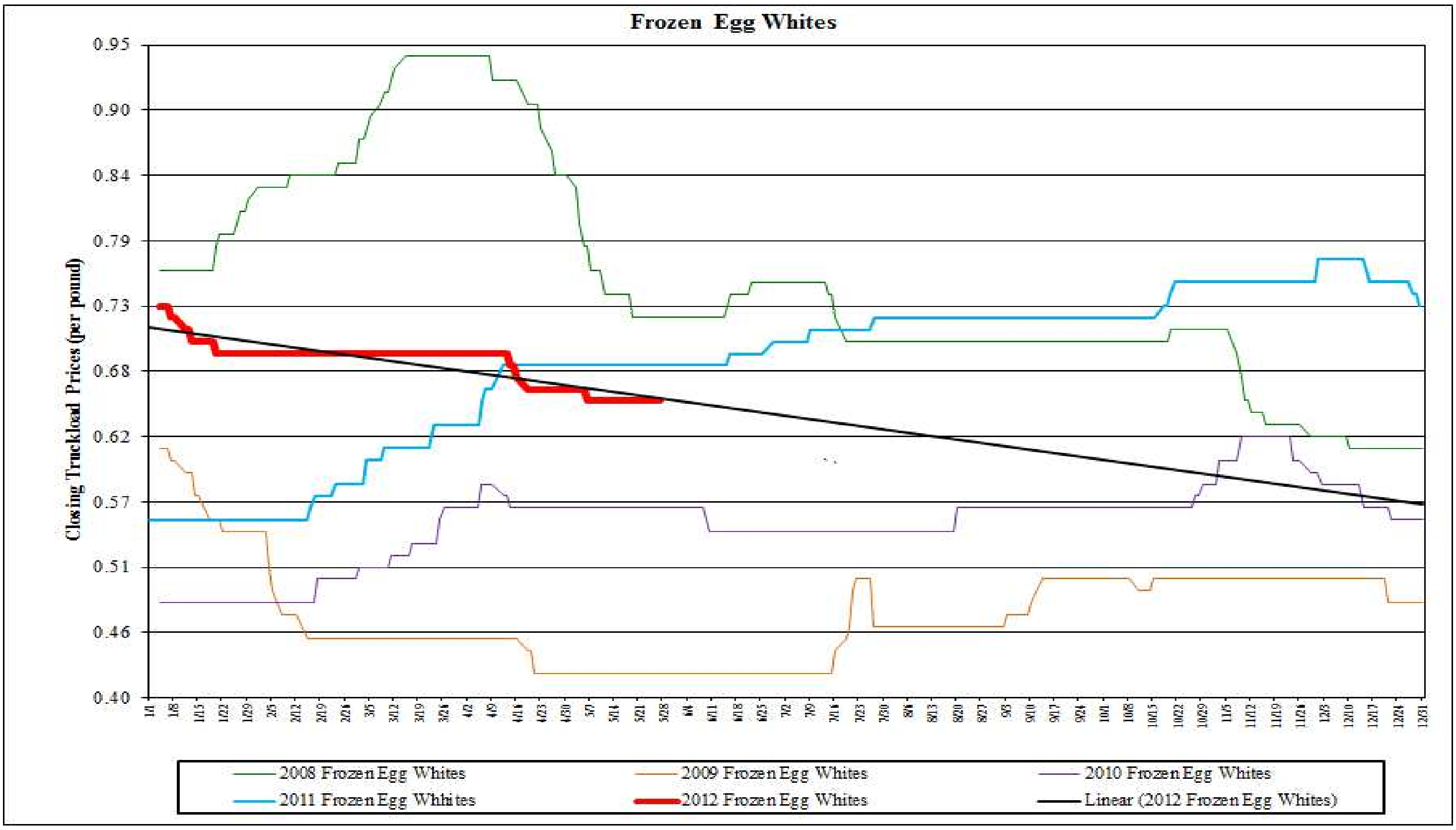




Frozen Whole Eggs closed "no change" for the week (compared to last Friday's close).

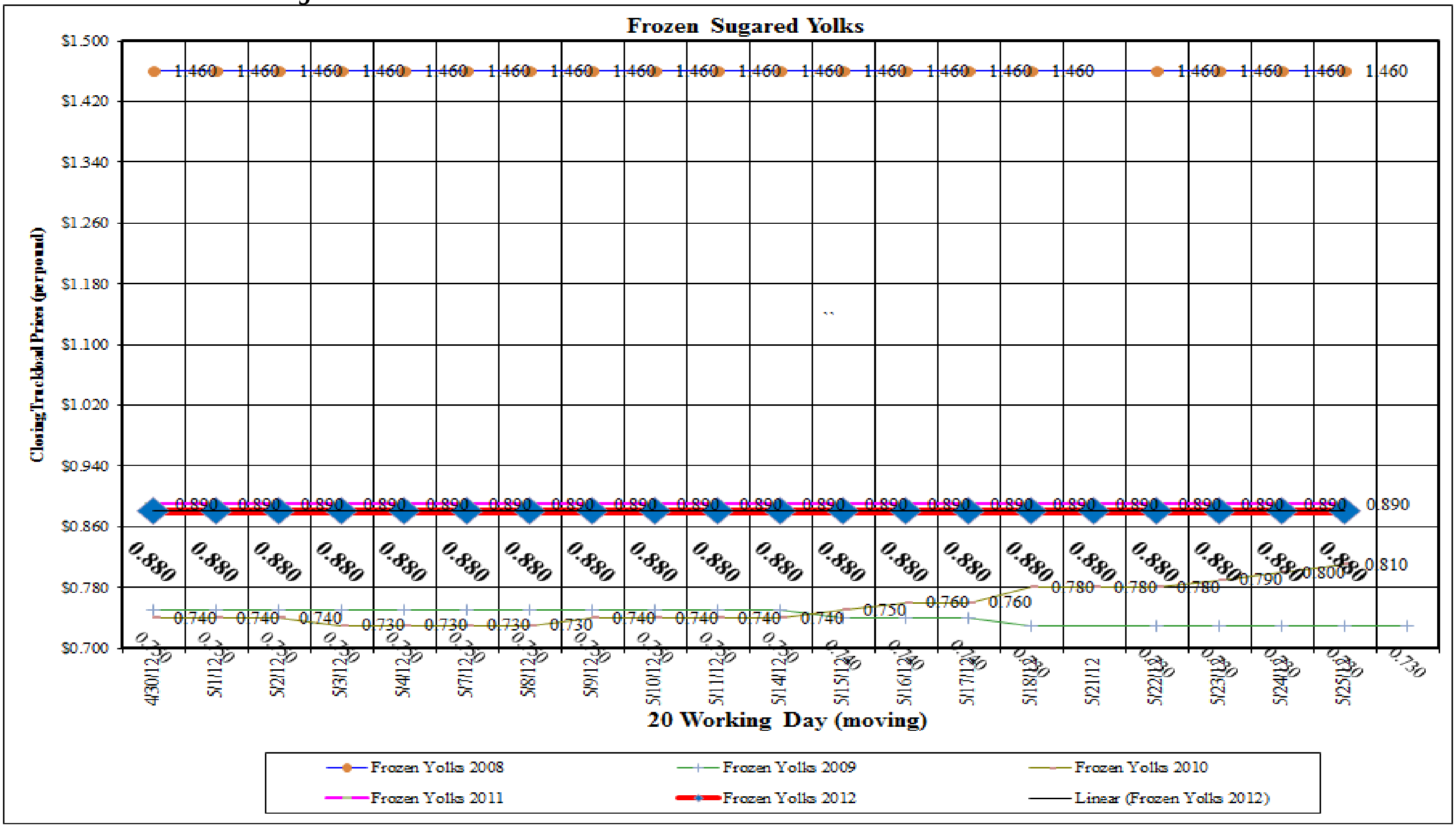
b. ***Frozen White***

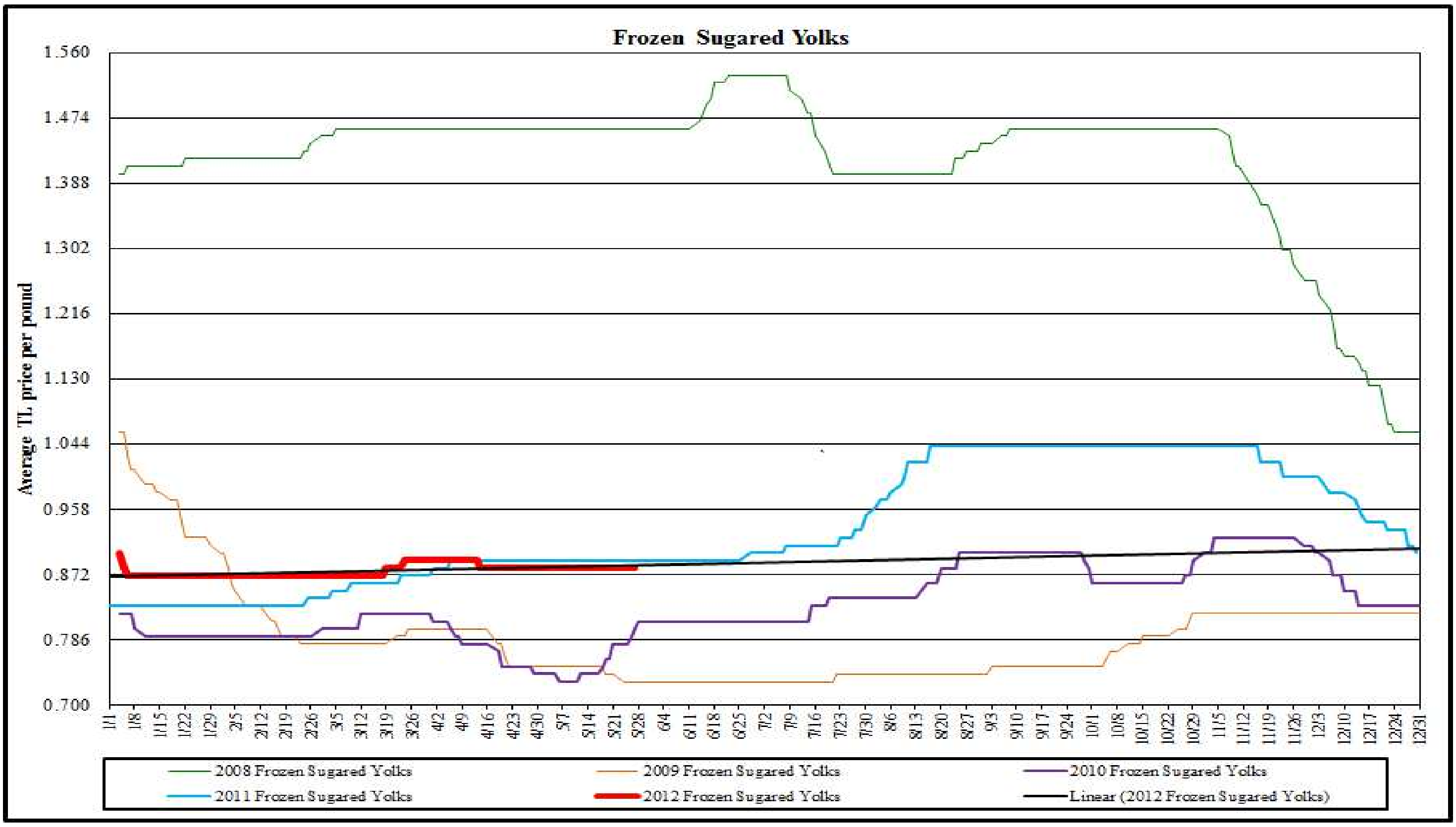




Frozen Egg Whites closed "no change" for the week (compared to last Friday's close).

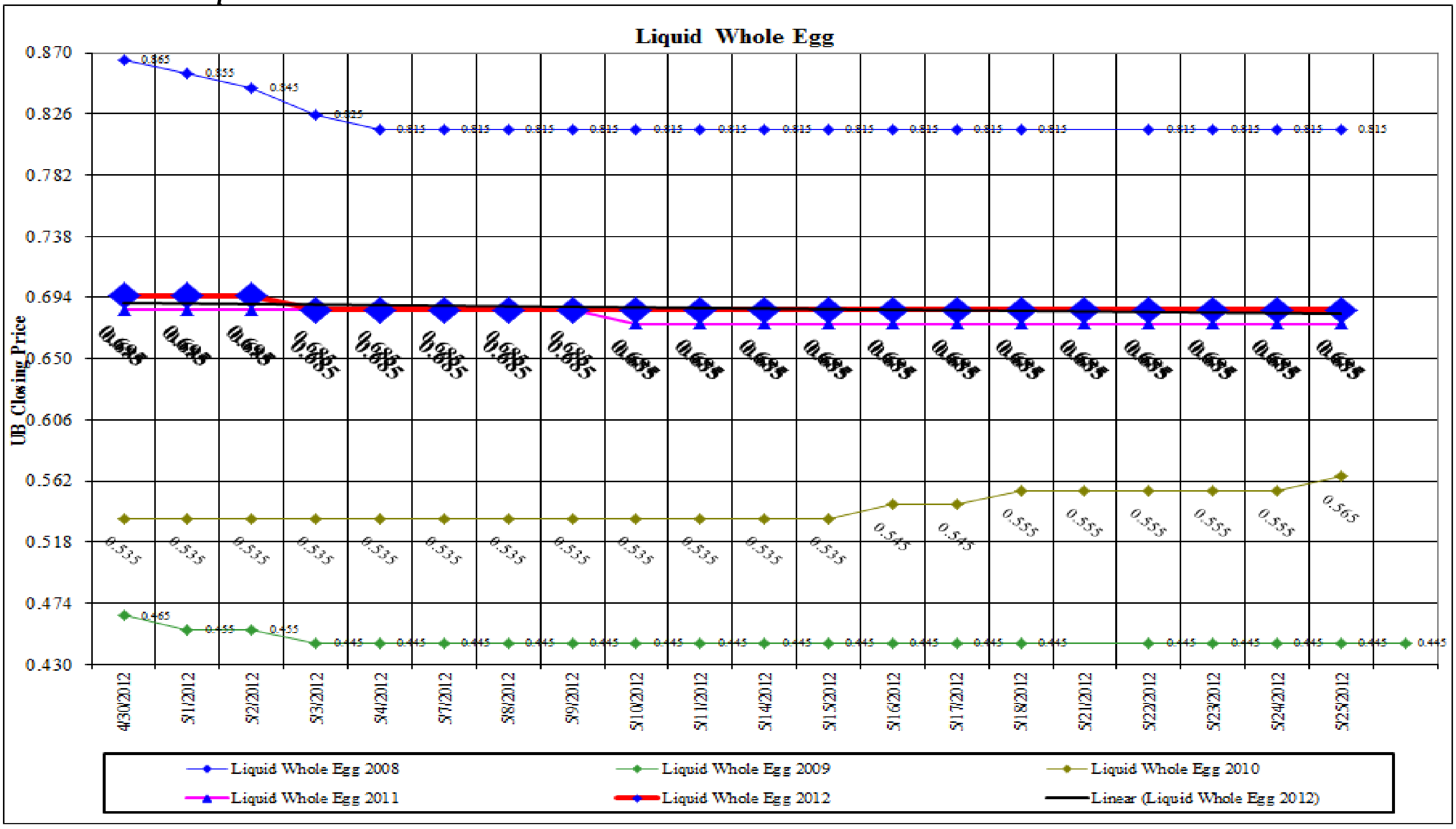
c. Frozen Sugared Yolks

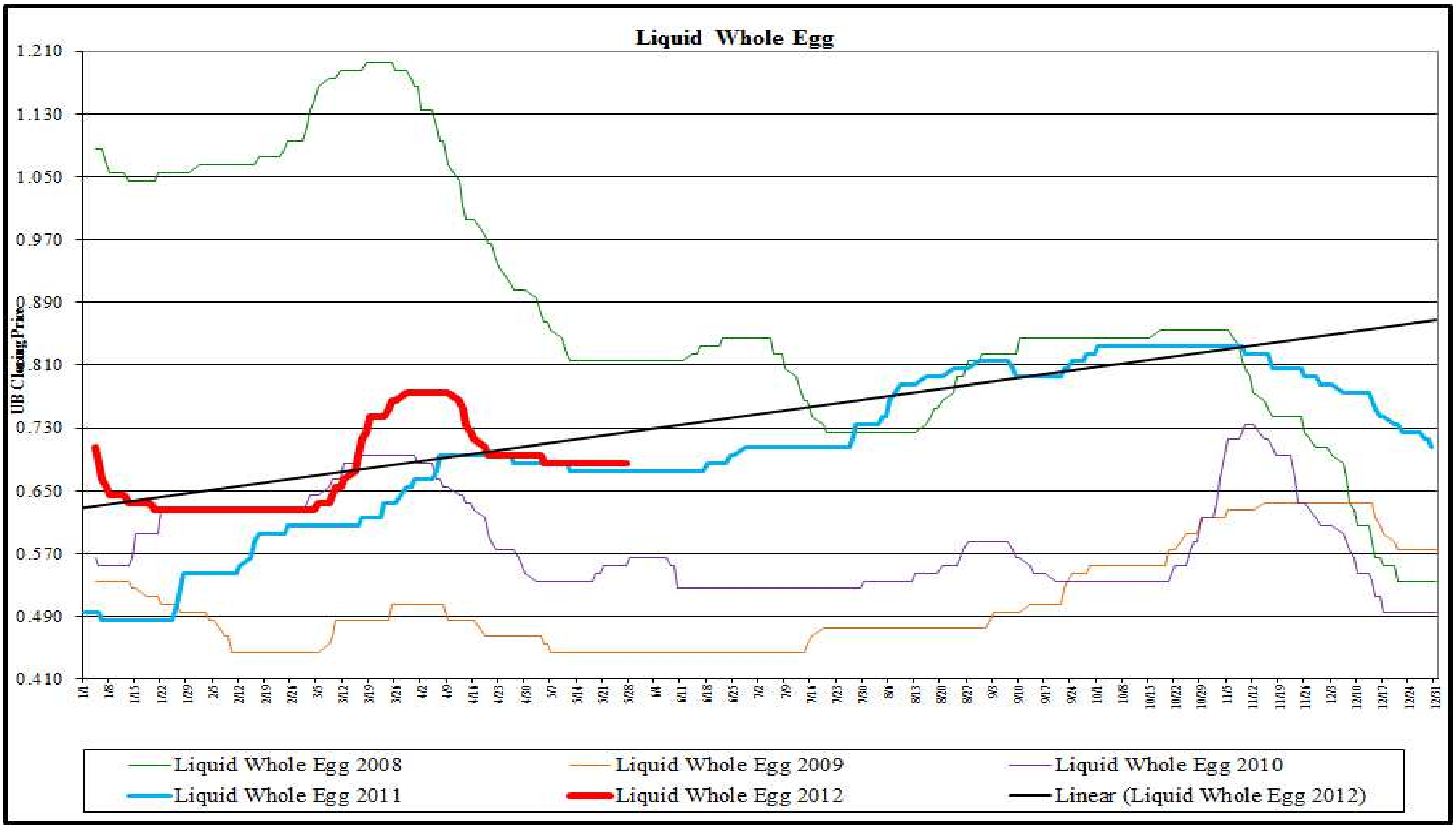




Frozen Sugared Yolks closed "no change" for the week (compared to last Friday's close).

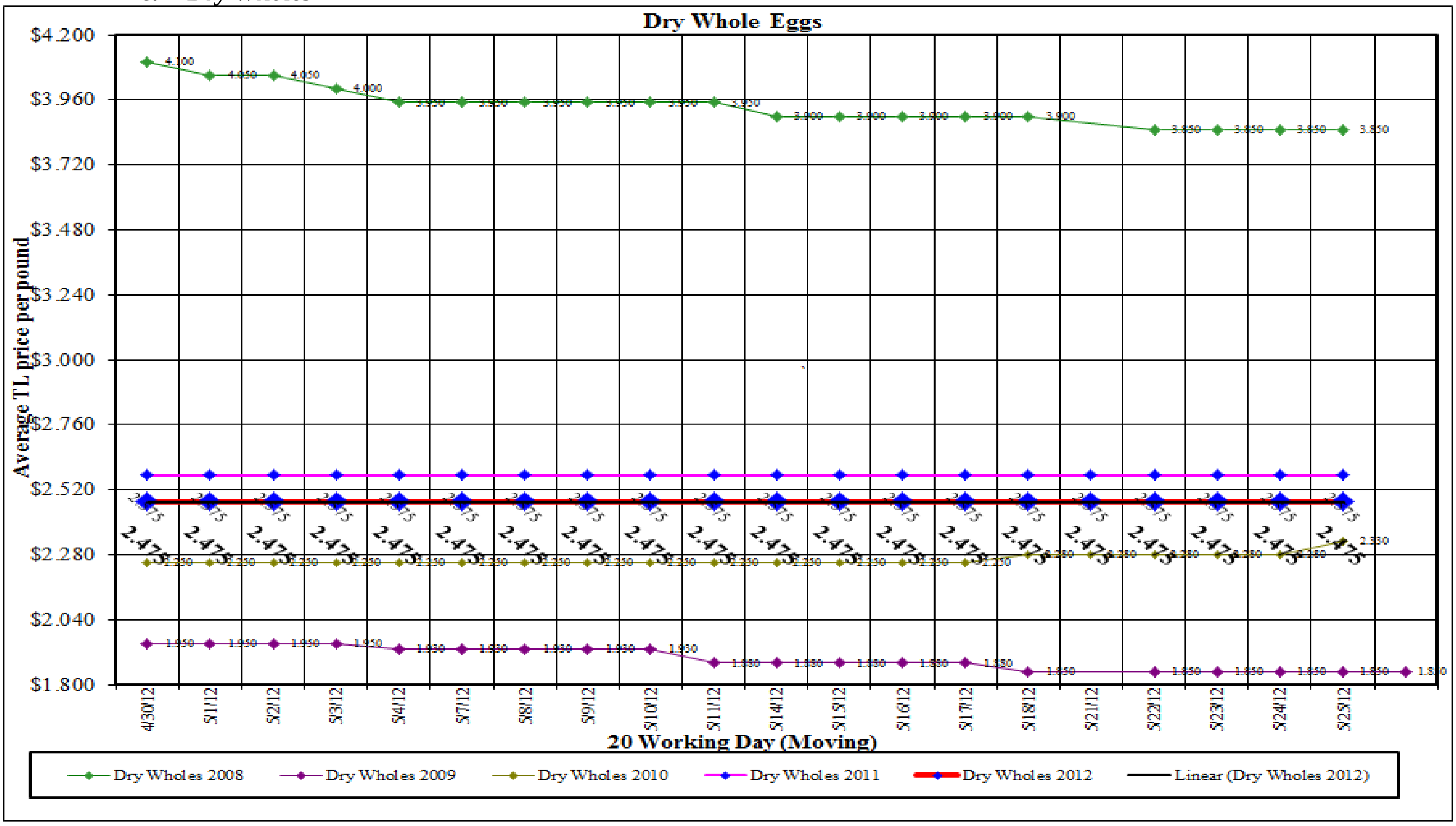
d. Liquid Wholes

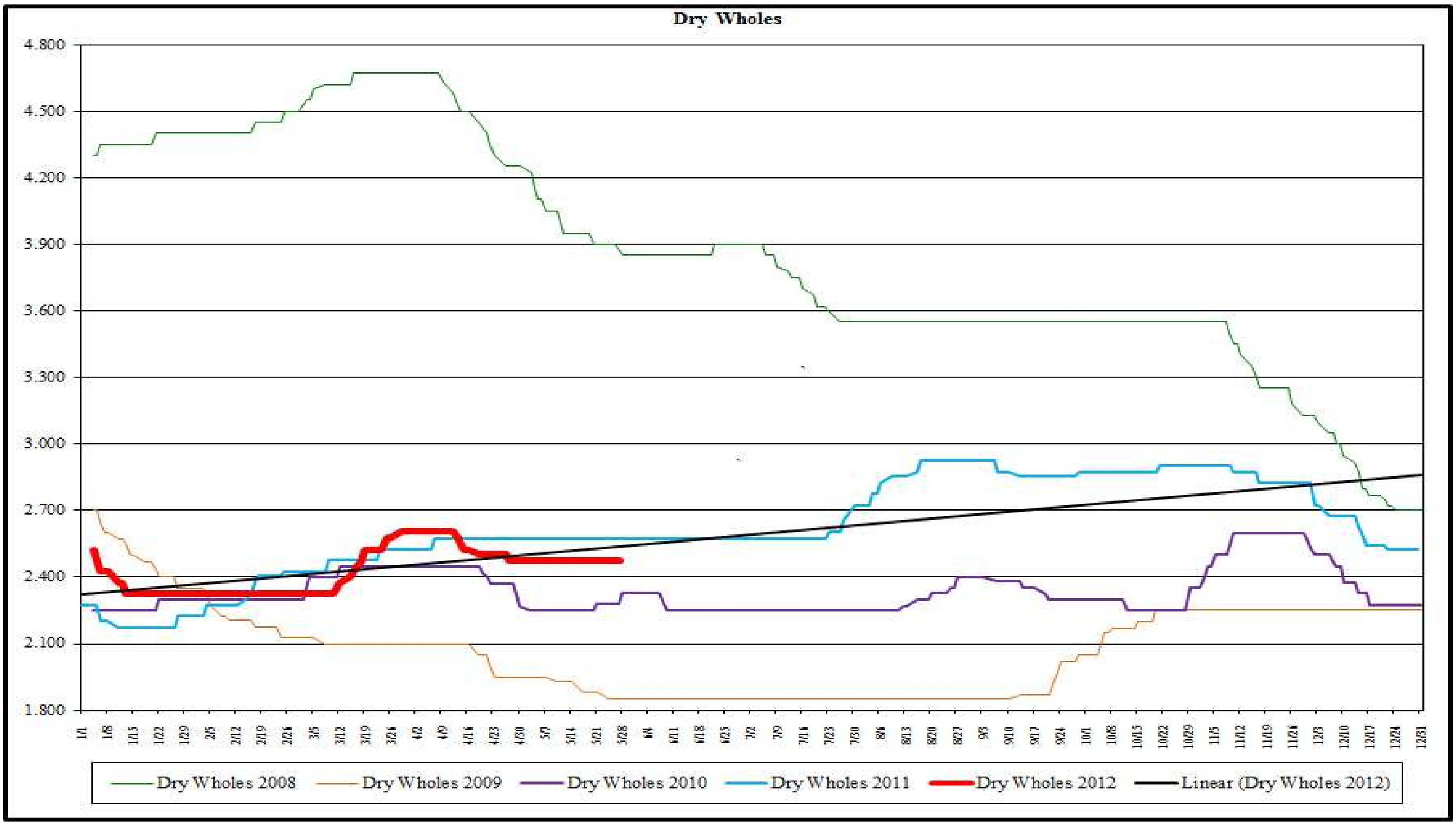




Liquid whole eggs closed "no change" for the week (compared to last Friday's close).

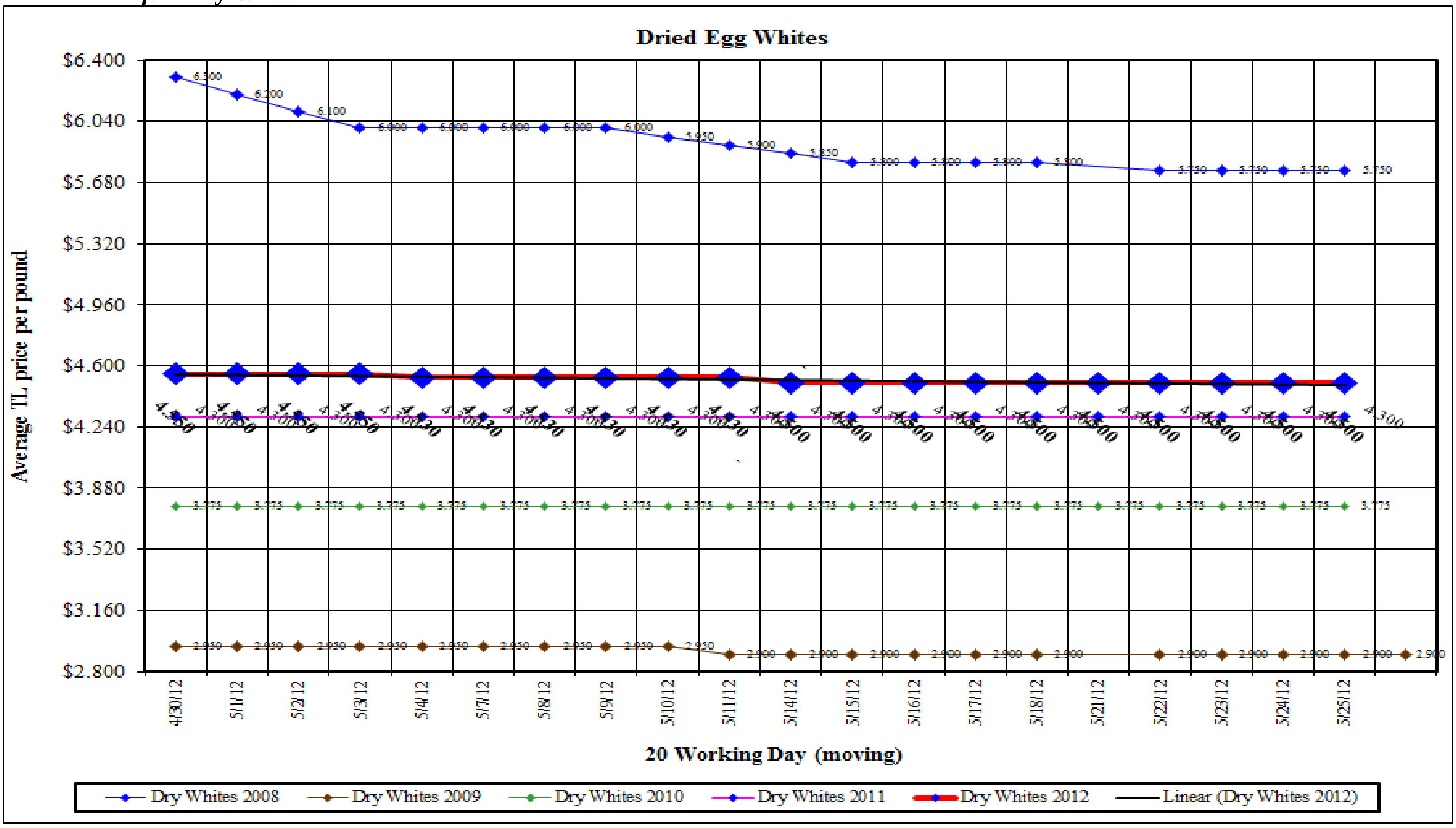
e. Dry Wholes

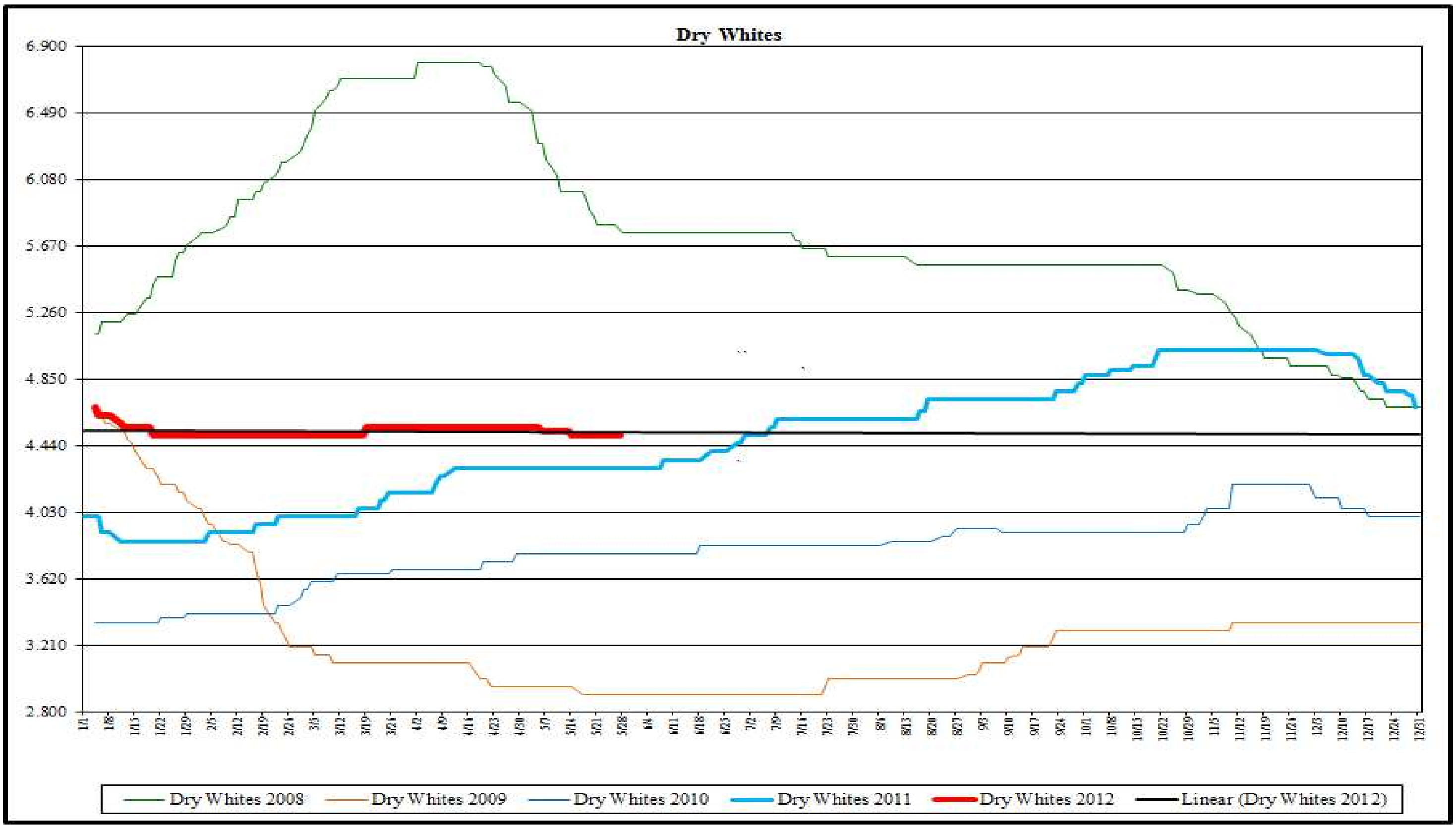




Dried Whole Eggs closed "no change" for the week (compared to last Friday's close).

f. Dry Whites





Dried Egg Whites closed "no change" for the week (compared to last Friday's close).

Corn
Corn futures are trading lower with export sales at the lowest level of the last three years for this week. This market is also getting help from the recently higher wheat prices which make corn a better buy for feed use this summer than was anticipated by the U.S.D.A. If the spread remains premium the wheat, this could mean tighter corn stocks.

Weekly ethanol production rose to 919,000 barrels per day versus 904,000 barrels last week. Ethanol stocks increased slightly from 20.6 million barrels last week to 21.4 million barrels. The weekly ethanol production pace still easily exceeds the level needed to reach U.S.D.A.'s estimate for the ethanol grind of 5000 million bushels (by over 100 mil bushels). More firms are raising corn use over the 5 billion bushels mark for the year. Plant margins appear black but thin, while blend margins are good. Ethanol stocks are at 21.4 million barrels. Trade estimates expected U.S.D.A. to show weekly corn export sales of 1.0-1.3 MMT but was disappointed with U.S.D.A. putting the actual net sales at 156,100 MT for 2012/2012 marketing year and 325,900 MT for 2012/2013 marketing year.

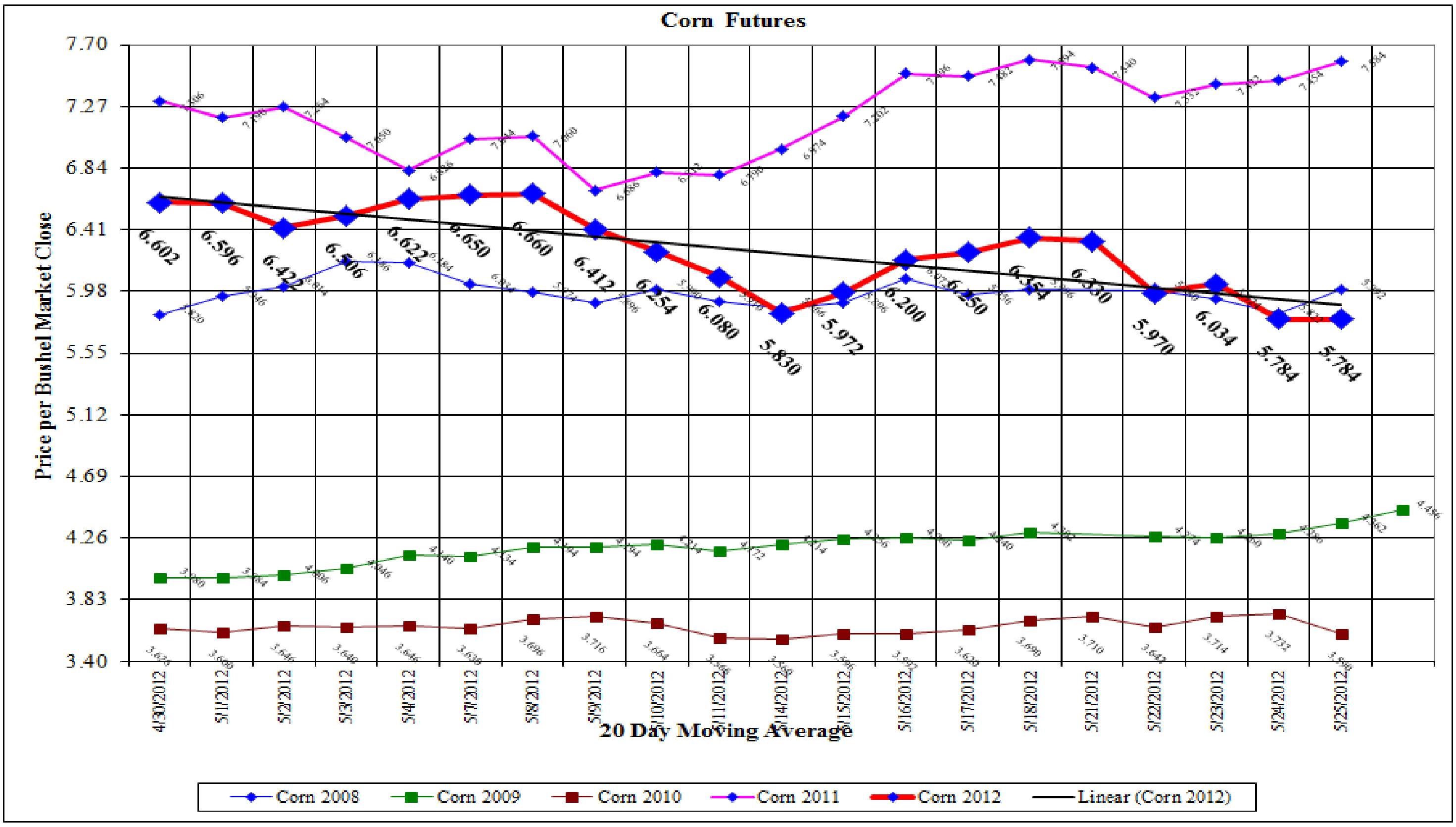
U.S. corn plantings 96% versus 81% average; emergence 76% versus 48% average; 11 of top 18 states rated 75% good/excellent or higher. Corn planting pace remains well ahead of normal – the last states (MN, ND and SD) will be planted 7-10 days ahead of normal. The entire crop appears likely to be headed toward a late June/early July pollination period. The initial rating of the corn crop is very favorable – near 114 (normal = 100). In the first rating of the season, U.S. corn was seen at 77% good/excellent, 20% fair and just 3% poor/very poor.

CO rated 80% good/excellent, IL 79%, IN 70%, IA 81%, KS 68%, KY 62%, MI 77%, MN 84%, MO 67%, NE 78%, NC 77%, ND 88%, OH 77%, SD 86%, TN 67%, TX 69% and WI 70%.

U.S. corn emergence, reported at 76%, was double that of last year and compared with the 5-year average of 48%.

Soil moisture conditions are declining across much of the corn belt. In the U.S. Midwest showers will provide 45% coverage of corn and soybeans through Sunday. In the U.S. Delta and Southeast showers will provide 20% coverage of corn and soybeans through Sunday. Better shower potential arrives mid to late in the six to 10 day period for the central and southeastern Midwest and eastern Tennessee Valley. Rains shift back to the northwestern half of the Midwest in the 11 to 15 day period. The showers could limit the most notable moisture deficits to no more than the southwestern quarter of the Midwest, but much of the Delta may still see building dryness concerns. The hottest weather will occur this weekend in the Midwest and Delta, with temperatures in the low 90s to the north low 100s to the south. The heat is expected to moderate next week. The precipitation that is forecast over the corn belt over the next two weeks will be important to maintain big U.S. corn yield potential. U.S. weather will largely dictate corn market price direction as we will soon enter the key pollination period when U.S. corn yields are largely determined. This key time frame is will occur in 4-7 weeks, so the 16-30 day outlook will soon begin to look into this crucial period. Uncertainty over EU economic and political developments can continue to provide heavy overhead resistance for the market.

Corn futures closed down $0.57/bushel for the week (versus last Friday's close).


Corn Futures
Price per Bushel Market Close
20 Day Moving Average
Corn 2008
Corn 2009
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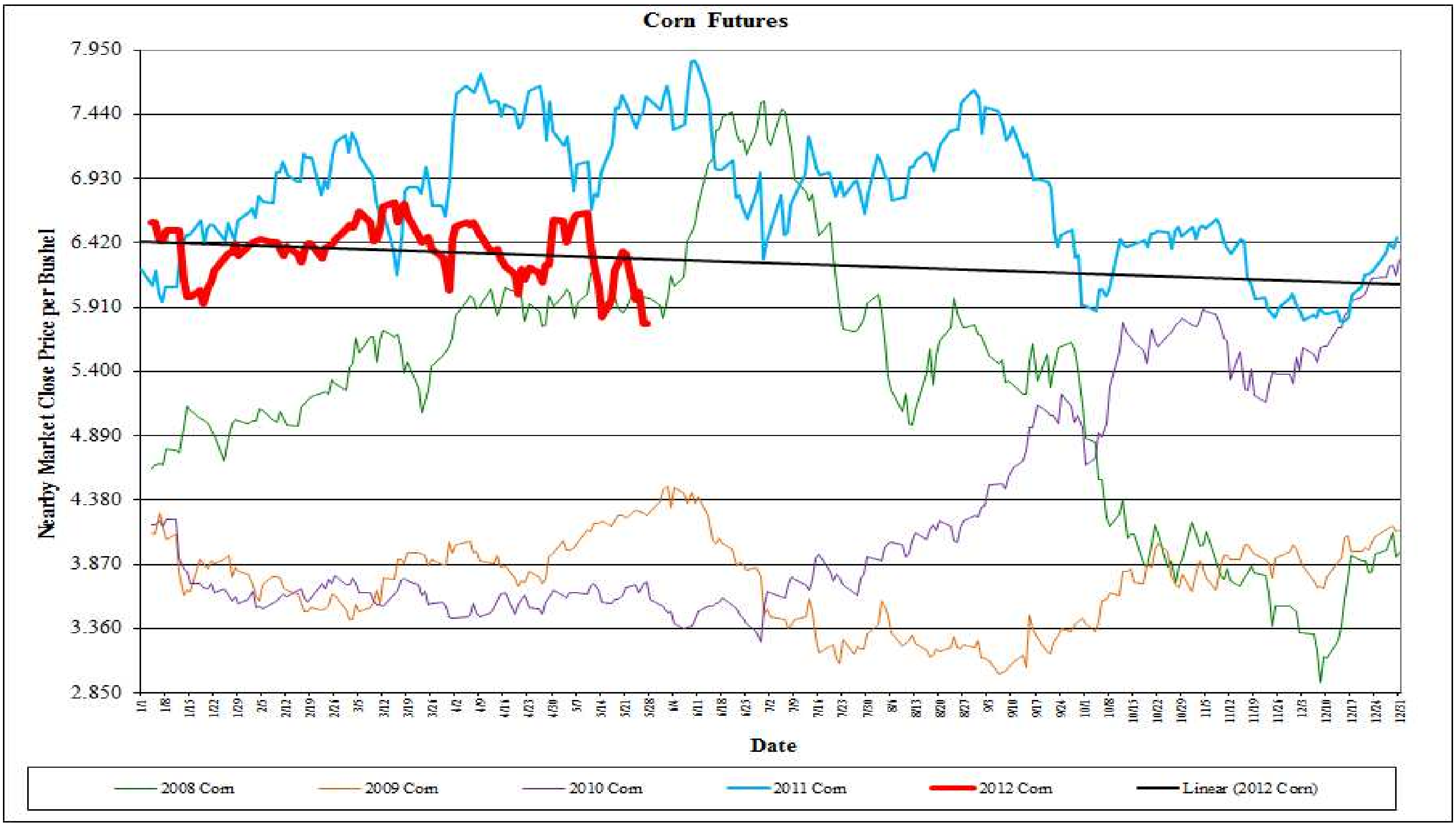
Corn 2012
Linear (Corn 2012)

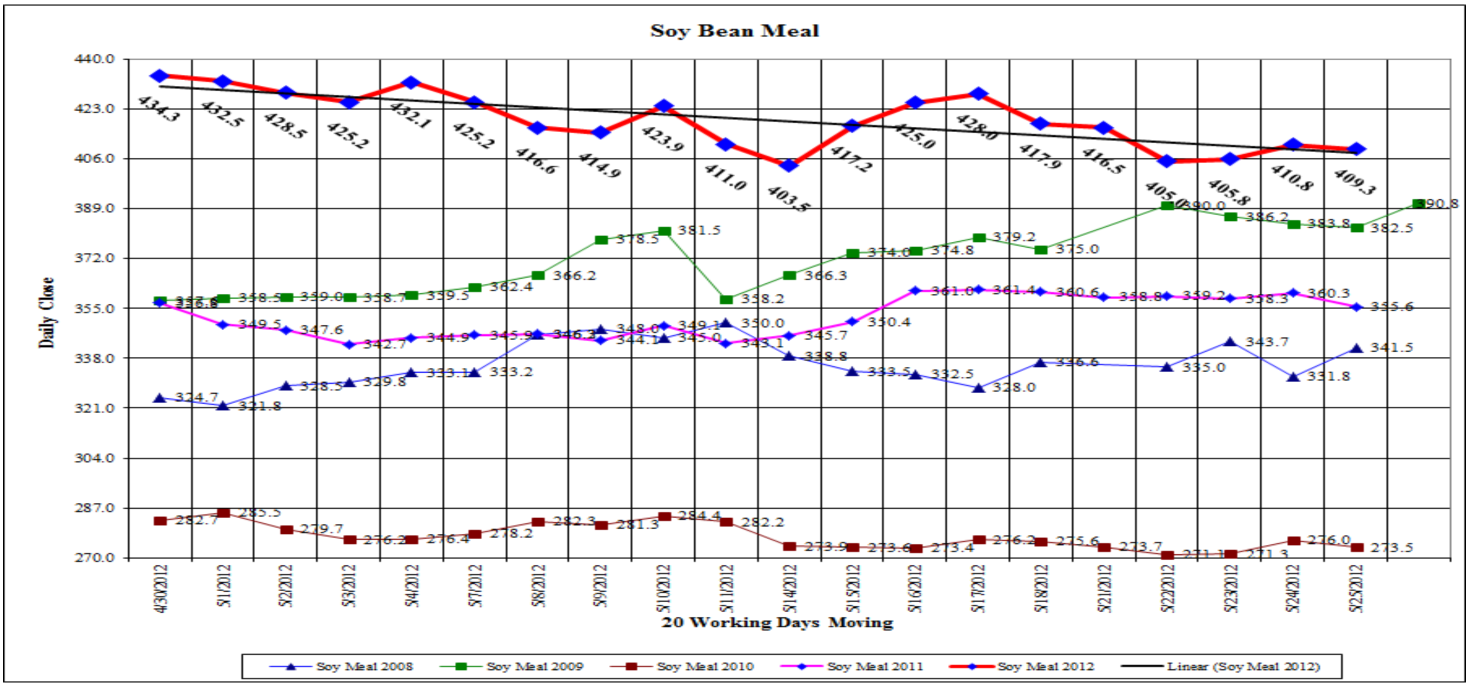

Corn Futures
Nearby Market Close Price per Bushel
Date
2008 Corn
2009 Corn
2010 Corn
2011 Corn
2012 Corn
Linear (2012 Corn)

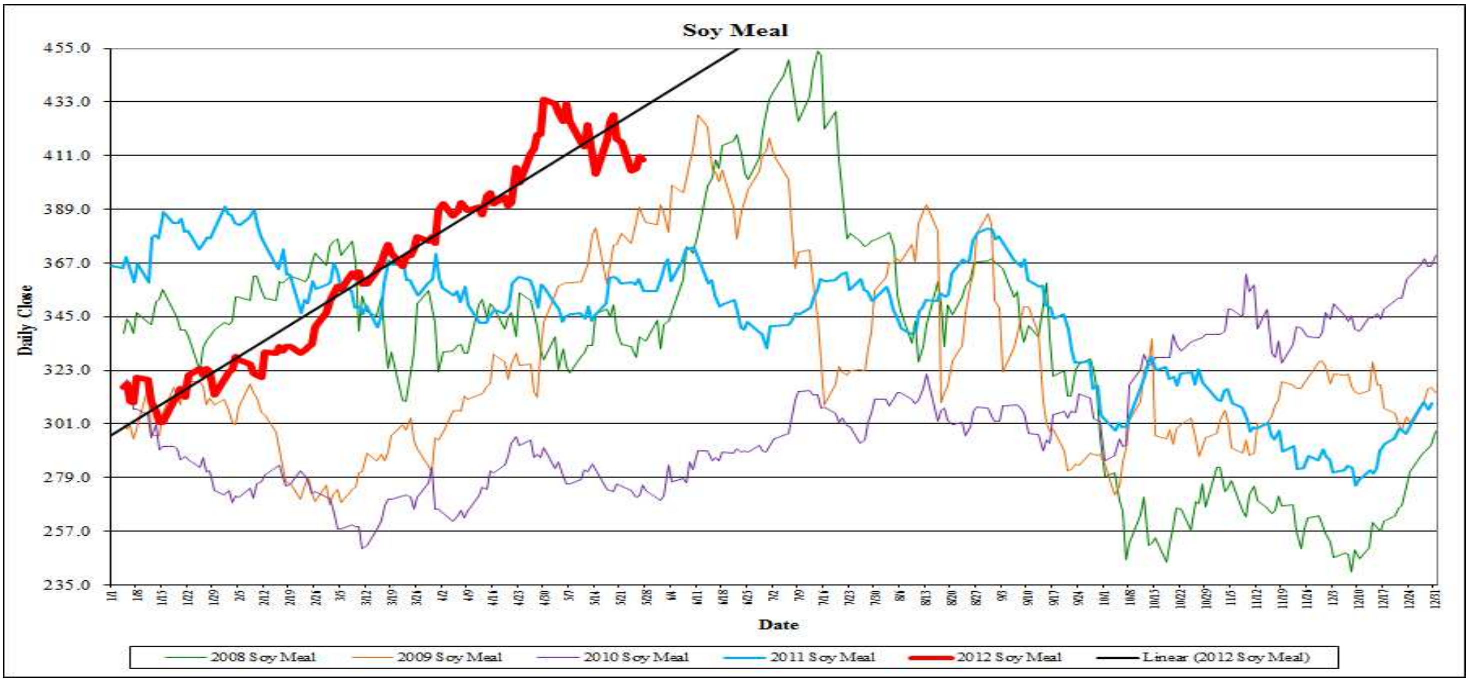
Soy Meal

Although net lower for the week, the meal market put in a firm performance (late in the week) as nearby prices recovered to close higher—despite sharp losses in soybeans. Major supportive inputs included fund buying, strength in corn, reports of consumer buying on today's sharp decline, strength in spreads (the July meal option gains on other months), continued strength in domestic basis levels and concerns regarding upcoming processor downtime. Major negative inputs included commercial selling; weakness in soybeans/wheat, traders who bought oil/sold meal, strength in the U.S. dollar, weakness in the Chinese markets and ideas that meal is still in the process of correcting overbought conditions.

Meal sales commitments have been much stronger than last year since the Argentine drought losses became apparent this spring. U.S.D.A. reported sales this week of 144,600 MT for 2011/2012 and net sales of 32,000 MT for 2012/2013.

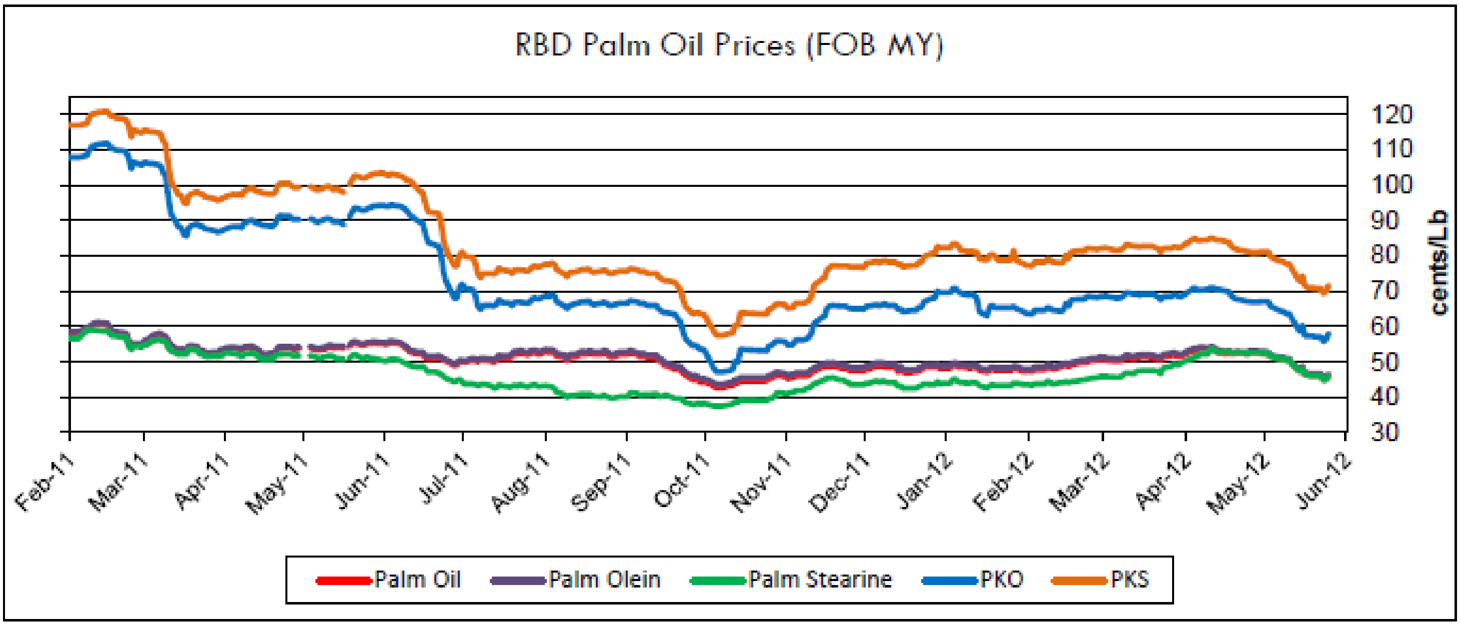
Soy meal futures closed down $8.60/ton for the week (versus last Friday's close).



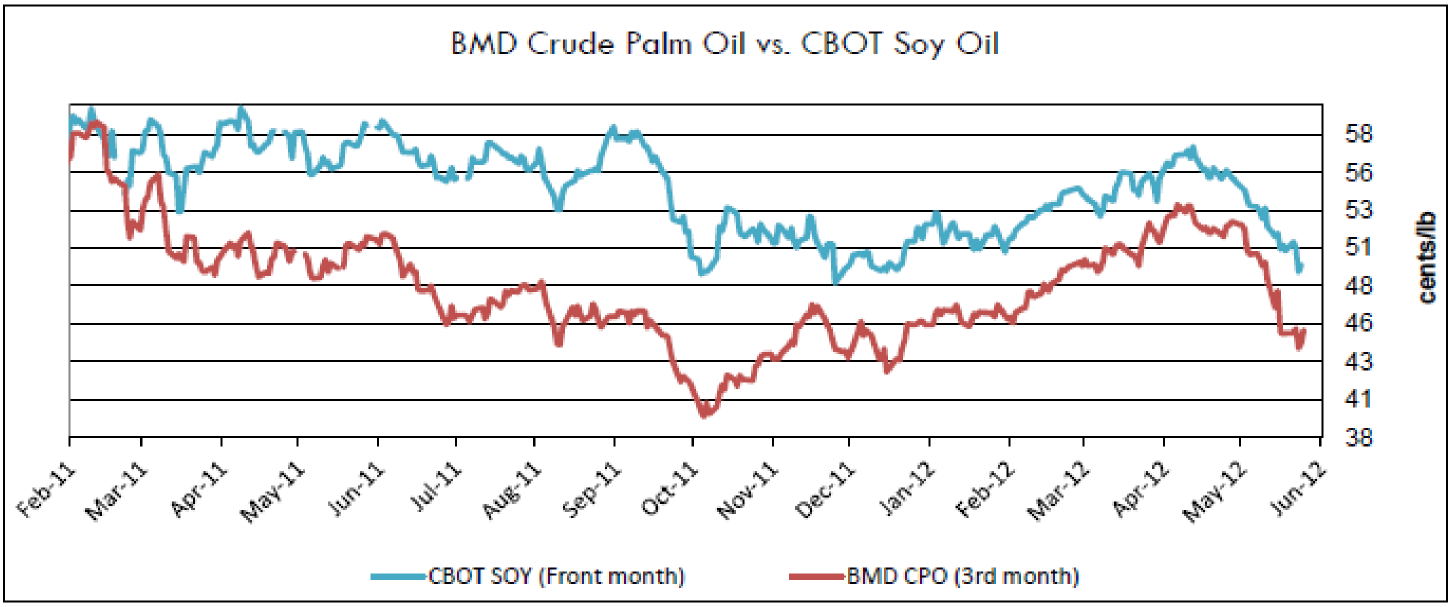


Palm Oil

Malaysian palm oil futures slipped to their lowest in more than five months tracking a downward trend in broader commodities markets as investor caution over the euro zone debt crisis resurfaced. The uncertainty surrounding the debt crisis dragged palm oil down to its lowest in 2012 on Wednesday, attracting buyers to take up the edible oil at cheaper prices. Firm demand indicated by rising export data could also be supportive for futures prices. Germany has dismissed a French-led call for euro zone governments to issue common bonds, raising fears of a potential Greek exit from the single currency ahead of a meeting of European leaders. Benchmark August palm oil futures lost 91 ringgit to close at 3,019 ringgit ($961) per ton after touching a low of 2,993 ringgit, a level not seen since December 19. Traded volumes stood at 55,312 lots of 25 tons each, more than double the usual 25,000 as traders rushed in to liquidate their positions. Reuters market analyst Wang Tao expressed a bearish view, saying palm oil would drop further to 2,971 ringgit, the December 15 low, as it has dropped below 3,019 ringgit. Despite healthy demand, concerns about the global economy were playing a bigger role in driving the market. On the supply side, dry weather concerns in the U.S. that threatened to hurt soybean crop reinforced expectations of tighter global oilseed supply.



(Graph source: Loders Croklaan)



(Graph source: Loders Croklaan)

Energy Markets

Natural Gas—
The primary driver of natural gas pricing has become the degree to which electricity generators burn gas instead of coal. Estimates of the gas/coal break-even point vary by region and the assumptions underlying the analysis, but are in the range of $2.50-3.25 MMBtu. Likely driven by the four week rally in gas prices, the **Baker Hughes** count of dry natural gas rigs increased by two last week. It was the first increase since mid-April. While the increase is tiny, it may indicate that some dry producers may be profitable at current prices which could bring more supply online. **Baker Hughes** also reported the number of horizontal rigs (drilling for oil and gas) hit another all-time high last week. However, temperatures are expected to remain above normal for the rest of May and into June, which could create cooling demand. We are in the upper half of the summer natural gas trading range. Buying opportunities should be seized upon when they come to reduce risk through August. Any significant moves to the upside from this point will be met with selling in the anticipation of coal to gas switching slowing or reversing.

Electricity—
There has not been a significant increase in wholesale hourly electric prices in many regions, which benefits clients on index contracts. However, this trend may not continue into the summer when cooling load peaks. Users should be advised to reduce exposure for the summer period.

General Energy Markets—
The energy markets have been declining over the last two weeks (along with equity markets) and have now passed a psychological barrier—WTI traded below $90 per barrel. The open question is whether current market apprehension gains momentum and turns into something more. It is clear that market anxiety has been increasing and with it volatility and downward pressure on prices.

Over recent weeks the financial markets have been on edge as a result of a number of adverse developments. This negative sentiment was triggered by election results in both Greece and France in which anti-austerity candidates from unconventional parties gained significant power. Subsequently, the path forward in the EU has become less clear. It seems that those favoring anti-austerity or pro-growth initiatives have been gaining ground while those favoring austerity have been losing ground. Unfortunately, those who favor austerity (read Germany) are the ones possessing the financial wherewithal needed to support those favoring anti-austerity (read European Periphery). As a consequence of these developments and the clear lack of consensus amongst EU leadership, the risk of a potential disorderly default in the EU's weakest link (Greece) has materially increased.

In addition to these concerns, news from both the U.S. and China has also been discouraging. In the U.S. the polarization of the political system means that little or no consequential actions will be taken before the upcoming presidential elections in November. With the country facing an unprecedented fiscal cliff in which

- the Bush tax cuts as well as other tax incentives are scheduled to lapse at year-end and
- spending cuts required by the most recent debt ceiling compromise (i.e., sequestration) are also set to take effect at year-end,

the U.S. is facing significant fiscal issues at a time when the political system is suffering from virtual paralysis. Needless to say, this situation is adding to the anxiety of the markets.

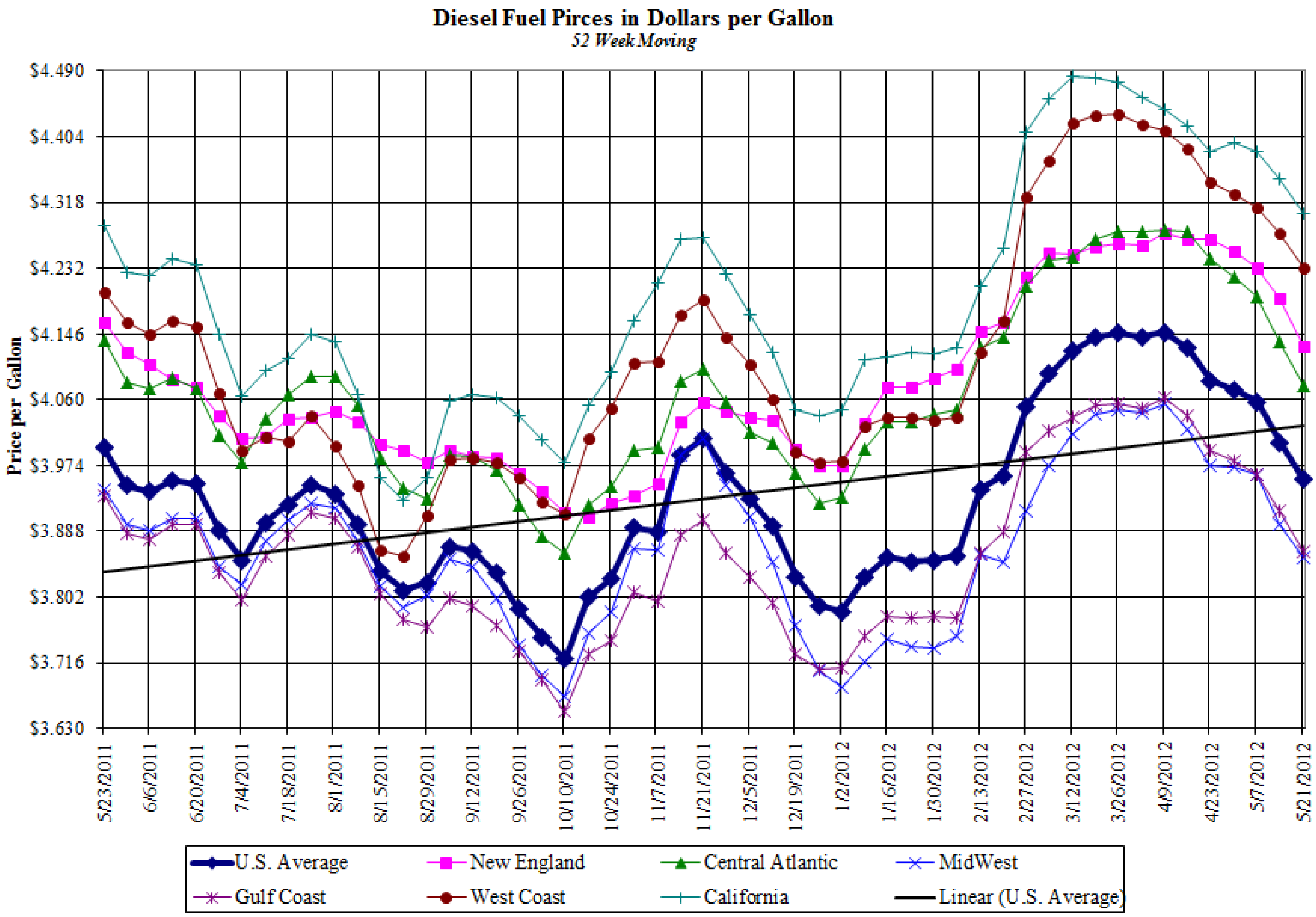
With regard to China, recent economic numbers indicate that the economy is slowing at a faster rate than most analysts had forecast. Moreover, recent news stories that China has been deferring raw material deliveries (iron ore, thermal coal, etc.) and defaulting on commodities contracts is the clearest indication yet that recent Chinese economic figures may not be telling the entire story.

In light of these events it is no wonder that the equities and commodities markets have been suffering over the past weeks. To add to these challenges the U.S. dollar has been gaining strength due to its safe-haven status and applying additional pressure to commodities pricing. In addition, there is concern about the potential for another significant financial/economic downturn.

As a result of recent developments the risk of another substantial financial/economic pullback is small but growing. With oil stockpiles continuing to build around the world as result of record production in the United States, Saudi Arabia and Russia and anemic global demand, currently there is little pricing support in the energy markets except for the specter of a disruption as a result of the breakdown in talks with Iran.
Should the financial/economic tail risk described herein become a reality, the energy markets would likely overshoot to the downside and temporarily go as low as $65-75 per barrel (WTI).

Prices in Dollars Per Gallon

Date	U.S. Average	East Coast	New England	Central Atlantic	Lower Atlantic	Midwest	Gulf Coast	Rocky Mtn	West Coast	California
5/23/2011	$3.9970	$4.0110	$4.1610	$4.1380	$3.9430	$3.9420	$3.9350	$4.1010	$4.2010	$4.2870
5/30/2011	$3.9480	$3.9620	$4.1210	$4.0820	$3.8970	$3.8960	$3.8840	$4.0200	$4.1610	$4.2270
6/6/2011	$3.9400	$3.9550	$4.1050	$4.0740	$3.8910	$3.8890	$3.8770	$4.0150	$4.1460	$4.2230
6/13/2011	$3.9540	$3.9680	$4.0870	$4.0880	$3.9050	$3.9050	$3.8960	$3.9880	$4.1630	$4.2450
6/20/2011	$3.9500	$3.9620	$4.0770	$4.0740	$3.9040	$3.9040	$3.8960	$3.9590	$4.1560	$4.2360
6/27/2011	$3.8880	$3.9140	$4.0380	$4.0140	$3.8600	$3.8420	$3.8340	$3.8850	$4.0690	$4.1460
7/4/2011	$3.8500	$3.8700	$4.0090	$3.9780	$3.8120	$3.8180	$3.7980	$3.8510	$3.9930	$4.0650
7/11/2011	$3.8990	$3.9260	$4.0120	$4.0340	$3.8720	$3.8750	$3.8560	$3.8380	$4.0120	$4.0990
7/18/2011	$3.9230	$3.9630	$4.0340	$4.0660	$3.9120	$3.9030	$3.8820	$3.8270	$4.0050	$4.1140
7/25/2011	$3.9490	$3.9880	$4.0370	$4.0900	$3.9400	$3.9250	$3.9130	$3.8480	$4.0380	$4.1450
8/1/2011	$3.9370	$3.9740	$4.0450	$4.0900	$3.9180	$3.9180	$3.9040	$3.8550	$4.0000	$4.1360
8/8/2011	$3.8970	$3.9360	$4.0310	$4.0530	$3.8770	$3.8750	$3.8680	$3.8510	$3.9490	$4.0670
8/15/2011	$3.8350	$3.8710	$4.0010	$3.9830	$3.8110	$3.8150	$3.8060	$3.8260	$3.8630	$3.9570
8/22/2011	$3.8100	$3.8440	$3.9940	$3.9440	$3.7880	$3.7890	$3.7720	$3.8150	$3.8550	$3.9280
8/29/2011	$3.8200	$3.8430	$3.9770	$3.9300	$3.7930	$3.8030	$3.7630	$3.8390	$3.9080	$3.9580
9/5/2011	$3.8680	$3.8860	$3.9940	$3.9870	$3.8330	$3.8520	$3.8000	$3.8900	$3.9810	$4.0580
9/12/2011	$3.8620	$3.8790	$3.9850	$3.9850	$3.8250	$3.8410	$3.7900	$3.9030	$3.9840	$4.0670
9/19/2011	$3.8330	$3.8530	$3.9830	$3.9680	$3.7920	$3.7990	$3.7650	$3.8920	$3.9770	$4.0620
9/26/2011	$3.7860	$3.8040	$3.9630	$3.9220	$3.7390	$3.7380	$3.7300	$3.8670	$3.9570	$4.0390
10/3/2011	$3.7490	$3.7650	$3.9410	$3.8810	$3.6990	$3.6990	$3.6930	$3.8460	$3.9270	$4.0070
10/10/2011	$3.7210	$3.7410	$3.9120	$3.8600	$3.6740	$3.6710	$3.6510	$3.8280	$3.9100	$3.9770
10/17/2011	$3.8010	$3.8150	$3.9070	$3.9220	$3.7610	$3.7540	$3.7260	$3.8850	$4.0100	$4.0530
10/24/2011	$3.8250	$3.8320	$3.9250	$3.9460	$3.7750	$3.7820	$3.7450	$3.9090	$4.0490	$4.0960
10/31/2011	$3.8920	$3.8860	$3.9350	$3.9940	$3.8360	$3.8660	$3.8080	$3.9590	$4.1070	$4.1630
11/7/2011	$3.8870	$3.8750	$3.9500	$3.9970	$3.8160	$3.8630	$3.7960	$3.9780	$4.1090	$4.2130
11/14/2011	$3.9870	$3.9640	$4.0300	$4.0850	$3.9060	$3.9870	$3.8820	$4.0930	$4.1710	$4.2700
11/21/2011	$4.0100	$3.9840	$4.0560	$4.1000	$3.9180	$4.0100	$3.9030	$4.1440	$4.1910	$4.2710
11/28/2011	$3.9640	$3.9530	$4.0450	$4.0570	$3.8820	$3.9490	$3.8590	$4.0940	$4.1420	$4.2240
12/5/2011	$3.9310	$3.9340	$4.0360	$4.0180	$3.8620	$3.9070	$3.8280	$4.0350	$4.1050	$4.1720
12/12/2011	$3.8940	$3.9170	$4.0320	$4.0030	$3.8300	$3.8480	$3.7940	$3.9910	$4.0610	$4.1220
12/19/2011	$3.8280	$3.8730	$3.9950	$3.9630	$3.7830	$3.7650	$3.7270	$3.9130	$3.9920	$4.0470
12/26/2011	$3.7910	$3.8400	$3.9730	$3.9250	$3.7520	$3.7060	$3.7080	$3.8610	$3.9780	$4.0390
1/2/2012	$3.7830	$3.8440	$3.9730	$3.9320	$3.7540	$3.6830	$3.7090	$3.8360	$3.9790	$4.0460
1/9/2012	$3.8280	$3.9080	$4.0290	$3.9960	$3.8200	$3.7170	$3.7500	$3.8430	$4.0260	$4.1110
1/16/2012	$3.8540	$3.9430	$4.0760	$4.0310	$3.8530	$3.7460	$3.7770	$3.8230	$4.0370	$4.1160
1/23/2012	$3.8480	$3.9380	$4.0770	$4.0300	$3.8430	$3.7360	$3.7740	$3.8170	$4.0370	$4.1210
1/30/2012	$3.8500	$3.9450	$4.0880	$4.0400	$3.8480	$3.7340	$3.7760	$3.8160	$4.0330	$4.1200
2/6/2012	$3.8560	$3.9480	$4.1010	$4.0460	$3.8460	$3.7510	$3.7750	$3.8170	$4.0360	$4.1280
2/13/2012	$3.9430	$4.0280	$4.1500	$4.1280	$3.9300	$3.8570	$3.8600	$3.8410	$4.1210	$4.2090
2/20/2012	$3.9600	$4.0530	$4.1610	$4.1420	$3.9660	$3.8480	$3.8860	$3.8570	$4.1640	$4.2580
2/27/2012	$4.0510	$4.1340	$4.2210	$4.2080	$4.0630	$3.9140	$3.9920	$3.9190	$4.3260	$4.4100
3/5/2012	$4.0940	$4.1670	$4.2530	$4.2430	$4.0940	$3.9740	$4.0200	$3.9860	$4.3720	$4.4540
3/12/2012	$4.1230	$4.1690	$4.2500	$4.2470	$4.0960	$4.0160	$4.0360	$4.0690	$4.4210	$4.4830
3/19/2012	$4.1420	$4.1840	$4.2590	$4.2690	$4.1060	$4.0400	$4.0530	$4.1190	$4.4310	$4.4810
3/26/2012	$4.1470	$4.1900	$4.2630	$4.2790	$4.1100	$4.0460	$4.0550	$4.1360	$4.4330	$4.4760
4/2/2012	$4.1420	$4.1900	$4.2620	$4.2800	$4.1090	$4.0420	$4.0490	$4.1250	$4.4200	$4.4560
4/9/2012	$4.1480	$4.1900	$4.2780	$4.2820	$4.1060	$4.0550	$4.0630	$4.1290	$4.4110	$4.4400
4/16/2012	$4.1270	$4.1810	$4.2690	$4.2800	$4.0910	$4.0210	$4.0380	$4.1290	$4.3890	$4.4180
4/23/2012	$4.0850	$4.1460	$4.2690	$4.2450	$4.0500	$3.9740	$3.9930	$4.0900	$4.3450	$4.3840
4/30/2012	$4.0730	$4.1300	$4.2550	$4.2200	$4.0390	$3.9710	$3.9800	$4.0720	$4.3300	$4.3960
5/7/2012	$4.0570	$4.1080	$4.2320	$4.1940	$4.0210	$3.9620	$3.9620	$4.0470	$4.3120	$4.3850
5/14/2012	$4.0040	$4.0540	$4.1920	$4.1350	$3.9690	$3.8970	$3.9150	$4.0040	$4.2770	$4.3490
5/21/2012	$3.9560	$3.9990	$4.1300	$4.0790	$3.9160	$3.8540	$3.8610	$3.9870	$4.2330	$4.3030


Diesel Fuel Pirces in Dollars per Gallon
52 Week Moving
Price per Gallon
$4.490
$4.404
$4.318
$4.232
$4.146
$4.060
$3.974
$3.888
$3.802
$3.716
$3.630
5/23/2011
6/6/2011
6/20/2011
7/4/2011
7/18/2011
8/1/2011
8/15/2011
8/29/2011
9/12/2011
9/26/2011
10/10/2011
10/24/2011
11/7/2011
11/21/2011
12/5/2011
12/19/2011
1/2/2012
1/16/2012
1/30/2012
2/13/2012
2/27/2012
3/12/2012
3/26/2012
4/9/2012
4/23/2012
5/7/2012
5/21/2012
U.S. Average
New England
Central Atlantic
MidWest
Gulf Coast
West Coast
California
Linear (U.S. Average)

Fruits/Nut Markets

***Peaches*—US: Peaches struggle in South Georgia**
According to current evaluations, this is one of the worst peach harvests many south Georgians have ever seen. “We had a frost back in February that wiped out about 70% of our early peaches," said Irvin Lawson, the owner of Lawson Peaches. The mild winter didn't help either. "I think in about 10 days we're going to be out of peaches," said Lawson. "This is the first time I can remember we won't have a U-Pick." For this farmer the shortage of peaches is going to hurt his bottom line. "60% of our income comes from peaches," said Lawson.

Higher than average winter temperatures limited the number of chill hours for this year's South Carolina peach crop. That changed the timing of this year's harvest and may affect volumes of later varieties. Because chill hours were limited by warm weather, some peaches came in earlier than normal, said Lynne Chappell, owner of Chappell Farms and president of the South Carolina Peach Council. “Our first two varieties came in at the same time,” she said, “and the second variety normally follows the first after 10 days.” Because fruit supplies weren't staggered as normal, Chappell says they've experienced a lag in production. “Quantity has been limited by the mild winter weather,” she said, “especially later varieties that need more chill hours.” But the limited production has also resulted in higher prices. “Every year is different,” said Chappell, “we had an overabundance of fruit two years ago, last year we had a good balance between supply and demand, and this year prices are strong.”

***Cherries*—US (CA): Cherry crop projections are strong**
San Joaquin County cherry growers, on the verge of harvesting the region's premiere Bing variety beginning this weekend, look forward to a crop of average size and good quality. That would be a welcome change from 2011, when late spring rains wiped out much of the valuable crop, causing losses estimated at $146 million. While last year's final production numbers are not available, the county's fresh market cherry crop in 2010 was valued at $179 million. San Joaquin County, the heart of California's cherry industry, avoided some of the problems seen in other parts of the Central Valley, such as frosts in the south and damaging hailstorms in the mid-Valley. For the most part, the quality is very good. The market is very good and the growers should have a nice, profitable season. The weather is benefiting the fruit from a slow ripening. The fruit size looks good—with the cool weather this week, they're sizing up slowly. The crop looks to be of average to lighter-than-average size, perhaps due to early spring storms. The crop had rain during bloom, so the bees didn't have the opportunity to pollinate as much as they could. Market demand for this year's crop looks good, said Tom Gotelli, a principal of O-G Packing, one of the area's largest cherry-producing and packing operations. "The market's pretty good. There's a real interest in cherries," he said.

Asian export markets are playing a big part in that demand, with traditional markets in Japan, Taiwan and Korea looking for California fruit and being augmented by increasing sales to China. "They're hungry for cherries," Gotelli said.

Area farmers are now harvesting early maturing varieties, and the Bing harvest should begin this weekend. "By the first of the month, between the first and 15th of June, we'll be rolling pretty good in Bings," Gotelli predicted.

Cherries are a leading cash crop in San Joaquin County, in a good year bringing in gross sales of $200 million, or $1 of every $10 in the county's $2 billion-a-year agricultural sector. But bad weather, particularly heavy rains near or at harvest time, can cause devastating losses. That's why most growers produce other crops as well, said Jeff Colombini, president of Lodi Farming, which cultivates other orchard crops, including nuts and olives, in addition to cherries. While his early cherry varieties were smaller than usual, he looks forward to an average-size Bing harvest. "There's got to be some good years sprinkled in there or ... we'd all be out of businesses," he said.

Blueberries ***John Shelford's Blueberry Report*—(Thank you John!)**

NORTH AMERICAN BLUEBERRY HARVEST IS WELL UNDERWAY. Florida has wrapped up with final reports expected to be 80% of LY, 95% to fresh market. Georgia, North Carolina and California are well into the harvest of early and midseason varieties. Fresh market demand/prices are strong. Only minimal quantities have been diverted for freezing.

NA BLUEBERRY 2012 LATE MAY FORECAST Forecasting is a very hazardous sport when on the playing field. The spectators in the stands turn with reckless abandon from cheering to booing!! It remains me of NY Yankee fans – cheering with fervor when winning; but booing with greater intensity when losing!!! The 2012 NA highbush and combined highbush/lowbush blueberry harvest is 99.9% likely to set a new record with growth of approximately 10% of 2011.

MY FORECAST TODAY IS FOR A 12-14% increase over the 2011 highbush reported harvest. The Western district (CA, OR, WA, BC) will have the strongest growth, but the Midwest will not be far behind coming off the dismal 2011 harvest. The SE (FL, GA, NC and other Gulf Coast states) will experience double digit growth likely similar to 2011. Fresh market portion is anticipated to grow less than the total crop – although labor has been adequate and markets good. Weather is likely the greatest risk. Eastern districts are earlier, and western districts late minimizing overlaps for the fresh market supply.

The 2012 MICHIGAN FRUIT CROP GUESSTIMATE is scheduled for June 6 in Grand Rapids MI. A briefing will be sent following this event.

USDA Cold Storage Report – April 30, 2012

USDA Cold Storage Report April 30 (mm pounds) Holdings Reported				
2011	**2012**	**Variance**	**% Chg**	
66	87	21	32%	
Movement				
	April			
-14	-10	-4	-29%	
From High report - Fall each year				
112.0	103.0	9	8%	
May,June				
-8.0	-8.0	0	0%	
Cycle High to Low				
-120.0	-111.0	-9	-8%	
Low Storage LY vs Forecast				
51.0	72.0	21.0	41%	Forecast
Historical Low Cold Storage				72 million low report is forecasted for May 31 2012
2004	34			
2005	28			
2006	27			
2007	38			
2008	52			
2009	81			
2010	57			
2011	51			
2012	72	Forecast		

USDA Cold Storage Report Region Comparison April 30 (mm lbs)				
	2011	**2012**	**Variance**	**% Chg**
New England	8	7	-1	-13%
Mid Atlantic	4	5	1	25%
EN Central	28	27	-1	-4%
S Atlantic	2	5	3	150%
Pacific	21	41	20	95%
All Other	3	2	1	33%
Total	66	87	21	32%

MARKET BRIEFING – "Chatter" is beginning regarding expectation of new crop prices but there is evidence of very few sales. Old crop is selling in a wide range of $1.40 to $1.70 to factors needing product prior to new harvest. Wild prices remain near $2.

John Shelford -- ***SHELFORD ASSOCIATES*** 239-449-8090 Skype: jshelford

Walnuts**—US (CA): Walnut acreage up**

Preliminary estimates of the total walnut acreage in 2011 are up over the past several years. Estimates for 2011's bearing and non-bearing acreage are higher than the totals for bearing and non-bearing acreage in 2009. Total California walnut acreage was pegged at 280,000 by a recent report from the U.S.D.A. National Agricultural Statistics Service. That figure is 10% higher than the total acreage in 2009, the last year total acreage figures were available. Non-bearing acreage for 2011 is projected to be 35,000 while 2009's non-bearing total was 28,000 acres. The bearing acreage estimate for 2011 is 245,000, which is higher than 2010's total of 237,000 acres and 2009's total of 227,000 acres. Most of the state's acreage is concentrated in the San Joaquin Valley, which accounts for 14% of the state's total. The most prevalent variety is the Chandler with 79,022 bearing acres, which is followed by the Hartley with 36,535 acres.