Weekly Commodity Markets Review

From: Joe Schmidt Date: May 4, 2012

Big news in the market this morning was the April employment report which came in below expectations at 115k jobs added (162k consensus guess) and private payrolls at +130k jobs (170k consensus). The unemployment rate fell to 8.1% though from 8.2% in a slightly troubling sign that some people stopped looking for jobs all together. In the end, this report was not as bad as it could have been, with many looking for a sub-100k job number to really sound the alarm bell. This was important for our markets in the way currencies would react. 50 minutes after the report the U.S. dollar was up slightly and the Canadian dollar is down about 0.3%, so no big move there (sub-100k jobs would have likely lead to a rush into the U.S. dollar as a safe haven, driving the Canadian dollar further down).

Planting progress came in at 53% done for corn (27% five year average), and there was a huge increase in Iowa which went from 9% last week to 50% done this week. Beans were 12% planted versus 5% on average. There has been a good amount of talk lately about the prospect of double crop beans due to the good weather and the wheat crop coming off early. However, this could also lead to double crop corn. Either would help the old crop/new crop transition if it happens to a large degree.

Oil World made headlines this week as the forecasted China would be buying even more beans from the U.S. as stocks in South America shrink more and more. "Chinese buyers will increasingly shift to U.S.-origin in the coming weeks because South American supplies are becoming tighter," **Oil World** said. **Oil World** also cut their European rapeseed crop estimate to 18.2 million tons, down from 19.1 million last year. This has huge implications as China's appetite for both rapeseed and oil grows, and the EU mulls options to limit its domestic biodiesel production to locally grown feed stocks. Another canola note, falling oil share is having a big effect on canola board margin since oil is 40% of the canola seed. As oil share falls, canola board margin comes under pressure. One thing that has limited the old crop canola board margin slide this week has been the weakening of the July/November rapeseed spread in Winnipeg, which has lost nearly Canadian $20 in the last week.

Welcome signs that the renewed Euro-crisis stemming from problems with sovereign debt in Spain and Italy may have back-up support from the IMF and even China led to upturns in the short-term trend in three of the four “outside markets” (crude oil, gold and DJIA).

The next report put out by the U.S.D.A. is on May 10th. With little other news the market appears ready to consolidate price action into this event (which should really be a non-event). The next big report is the June 29 stocks and acreage report.

Flour Markets:

Wheat futures prices are lower this week. Spring wheat basis are posting lower with winter wheat basis unchanged. News from the Wheat Quality Council’s Kansas wheat tour this week was all good. They forecast this crop yield to be a record 49.1 bushels per acre and it looks to be about 3 weeks ahead of normal. Spring wheat plantings are at 74% complete with 30% emerged as of Monday, April 30th, which is still way ahead of normal for this time of year. Harvest is expected to be 1½ weeks ahead of average. The winter wheat crop continues to be ahead of schedule and more double crop soybeans are anticipated this season.

U.S. wheat futures closed sharply lower as the annual Wheat Quality Council’s tour of Kansas forecast yields above expectations. Forecasts for winter wheat production above expectations in the Oklahoma crop tour also put pressure on today’s trade. Other bearish inputs included strength in the U.S. dollar and weakness in crude oil.

Wheat yields in northern and central Kansas showed potential for record yields according to crop scouts on the Wheat Quality Council’s annual tour. Warm and wet conditions are ideal for developing SRW and HRW crops. The Kansas City Wheat tour is now working its way across key growing areas. The gist of the reports so far is mainly positive but limited in activity. Wheat values continue to reflect the fact that there is little tightness in this balance sheet. Harvest has started across southern areas, and this is a time when wheat rallies can really get crunched. Results from the annual Wheat Quality Council Kansas Wheat Tour will be watched closely for yield estimates that either support, amplify or refute crop condition ratings far better than last year. Wheat growth is 2-3 weeks ahead of normal development. Growing conditions are very favorable to crop progress this year. The Kansas Wheat Tour found much higher yields this year than last year in day 1 of their survey. This was expected, due to better moisture and more advanced maturity.

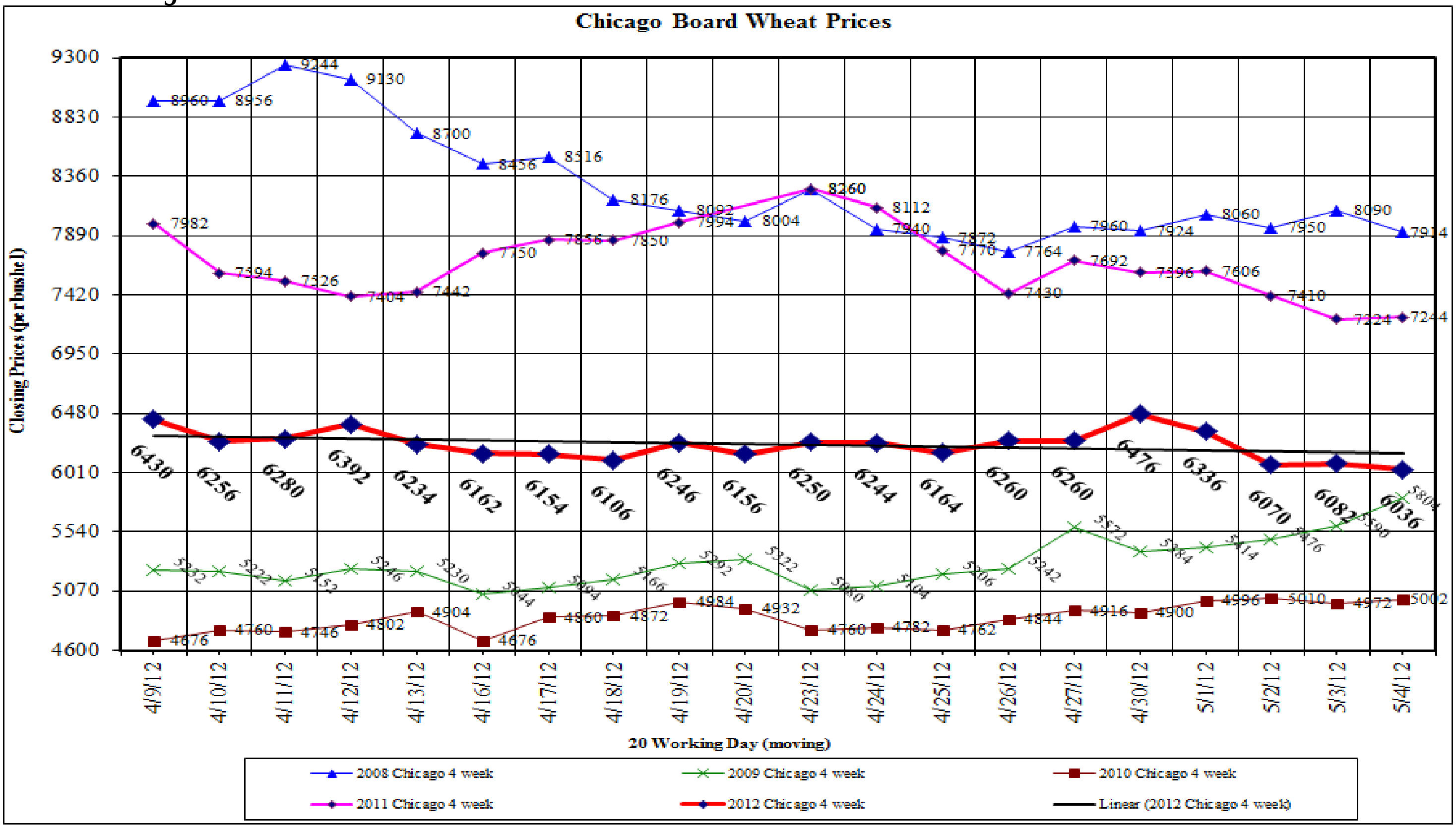
World wheat ending stocks for 2011/2012 are up about 16 MMT from 2010/2011. Cooler weather in the EU has slowed wheat development but warmer temps are in the forecast and expected to benefit the crop. Timely rains have also been beneficial.

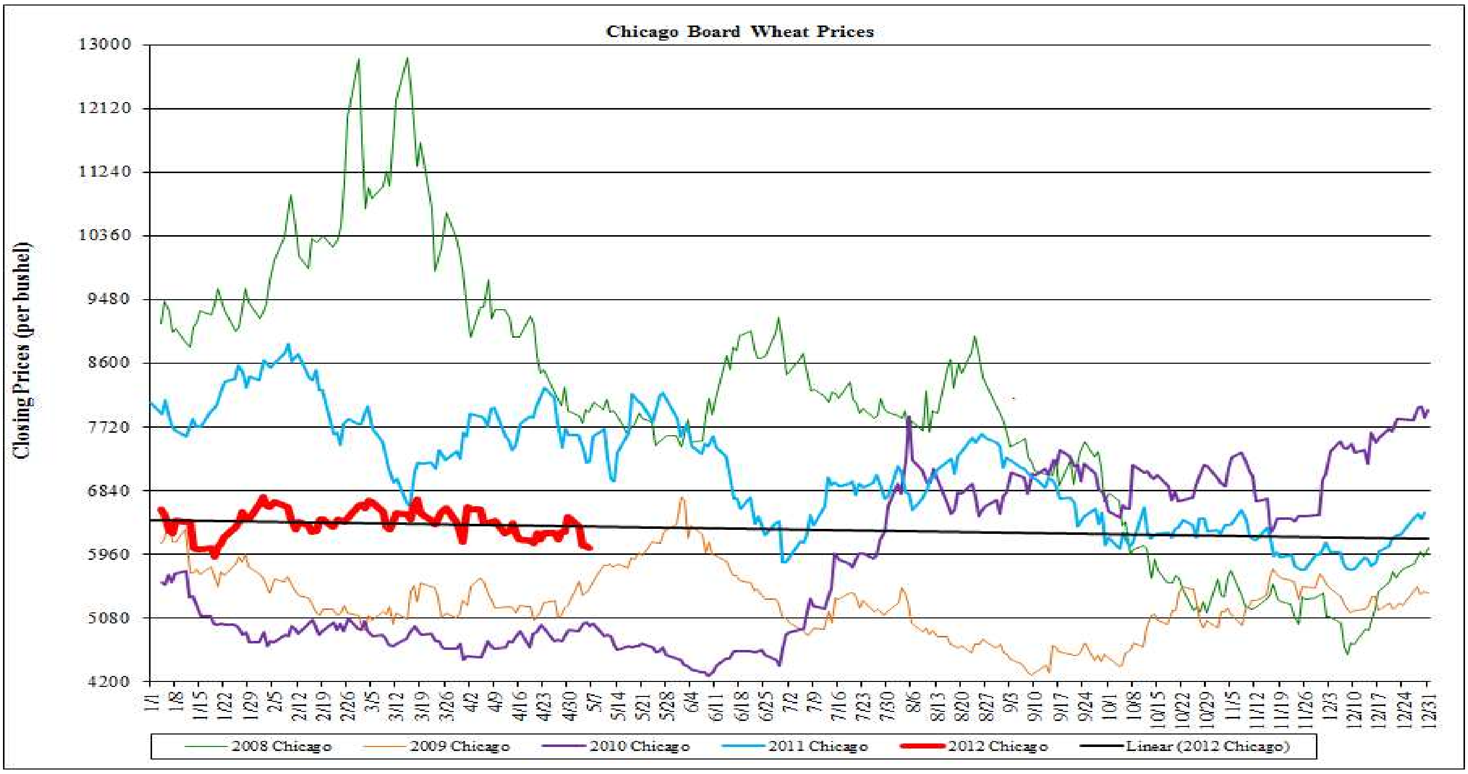
Wheat export inspections were only 19.8 million bushels, versus the 25.16 million last week and 36.75 million for the same week a year ago. Total shipments are 214 million bushels below last year at this time. The marketing year ends May 31. U.S.D.A. shows wheat maturity much advanced, with 54% of the winter wheat headed versus 24% normal. Spring wheat planting is 74% completed versus the 5 year average of only 32%. They show 30% of the spring wheat crop emerged. U.S. winter wheat conditions are up 1% in the combined good/excellent categories. Winter wheat ratings were 64% good/excellent. U.S. spring wheat planting progress is nearly three quarters complete—a record.

Animal feed wheat prices have risen above bread-quality wheat in parts of northern Europe—supplies are tight. Taiwan Flour Millers Association has purchased 56,500 metric tons to be sourced United States. CME Group said that all CBOT will move all of its grain and soybean complex futures and options contracts to a 22-hour trading day starting May 14.

In the U.S. Southern Plains winter wheat belt showers will provide 40% coverage through Sunday. Limited showers and warming temperatures will allow stress to build for parts of the belt, particularly central and southwestern Kansas and parts of West Texas. Highs in these areas may peak near 100 F by Saturday. However, cooling temperatures next week and the arrival of mid-week rainfall should then ease concerns. In the U.S. Northern Plains spring wheat belt showers will provide 85% coverage through Sunday. In the Canadian Prairies spring wheat belt showers will provide 65% coverage through Sunday. Active showers will slow planting activity, before seeding picks back up in the six to 15 day period. Most of the fieldwork will focus on Canada. Rains will expand across Europe in the next five days and spread into western FSU by the weekend. This will aid wheat development. However, the eastern third of the FSU winter wheat belt will not see rains until the 11 to 15 day period. Further delays in rains for this area could cut yields significantly.

a. Chicago Board Wheat Prices

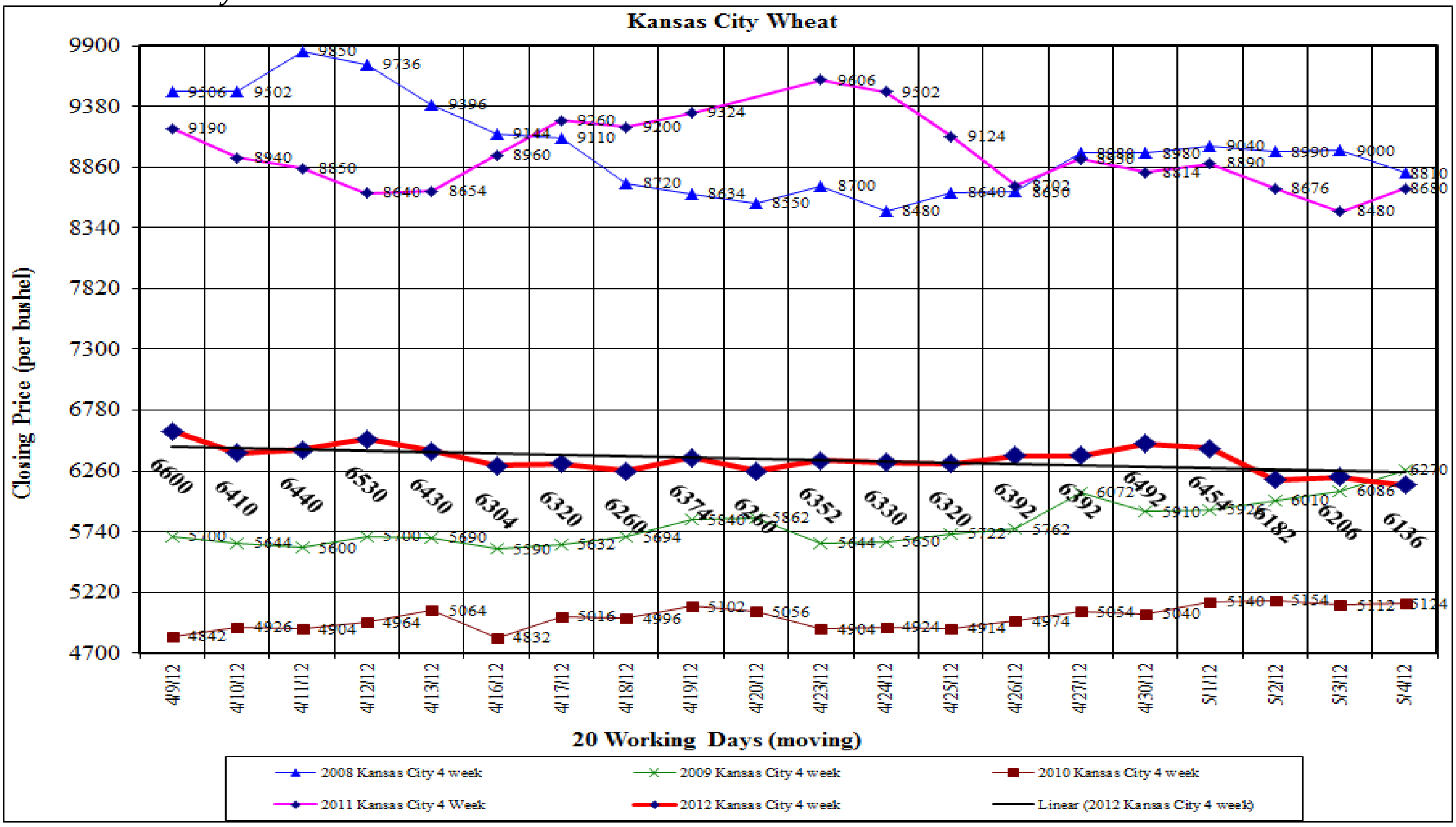


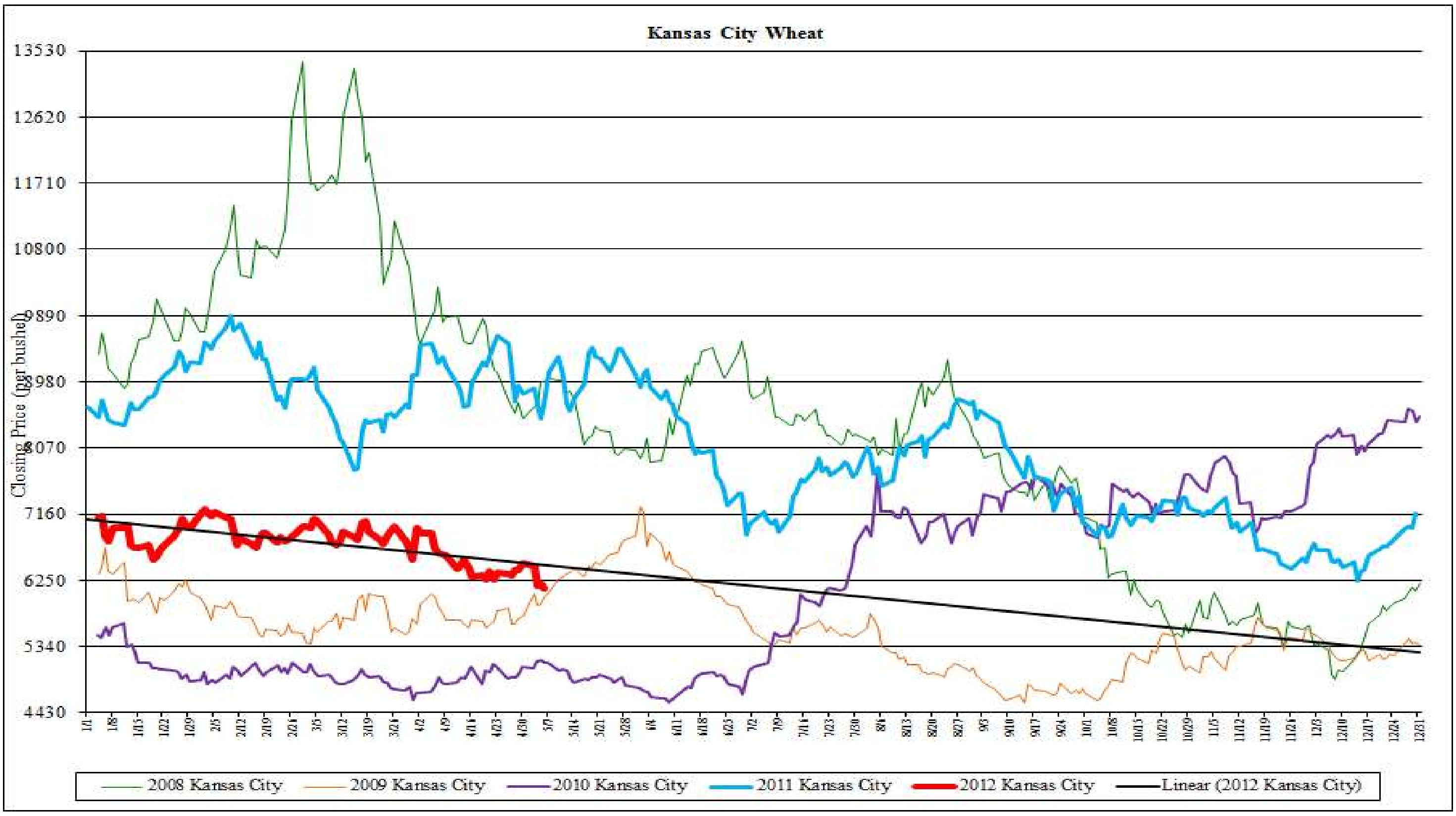


The Chicago Board chart above shows the price activity for the last 20 working days (one full period). Flour made from the wheat traded on this board includes **CAKE AND PASTRY** flours.

Cake and Pastry flour closed down $0.52/cwt. from last Friday's close.

b. Kansas City Board Wheat Prices

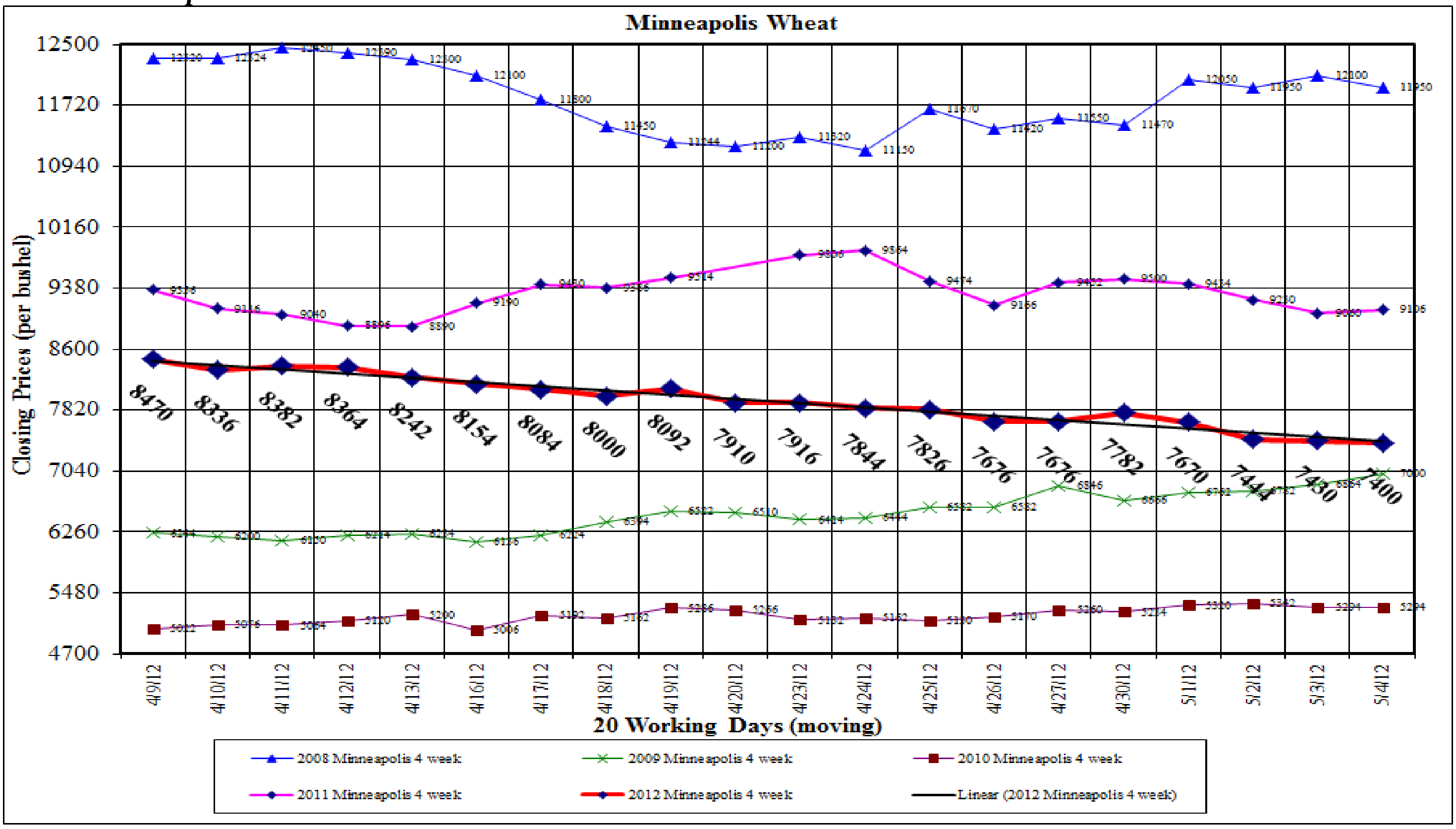


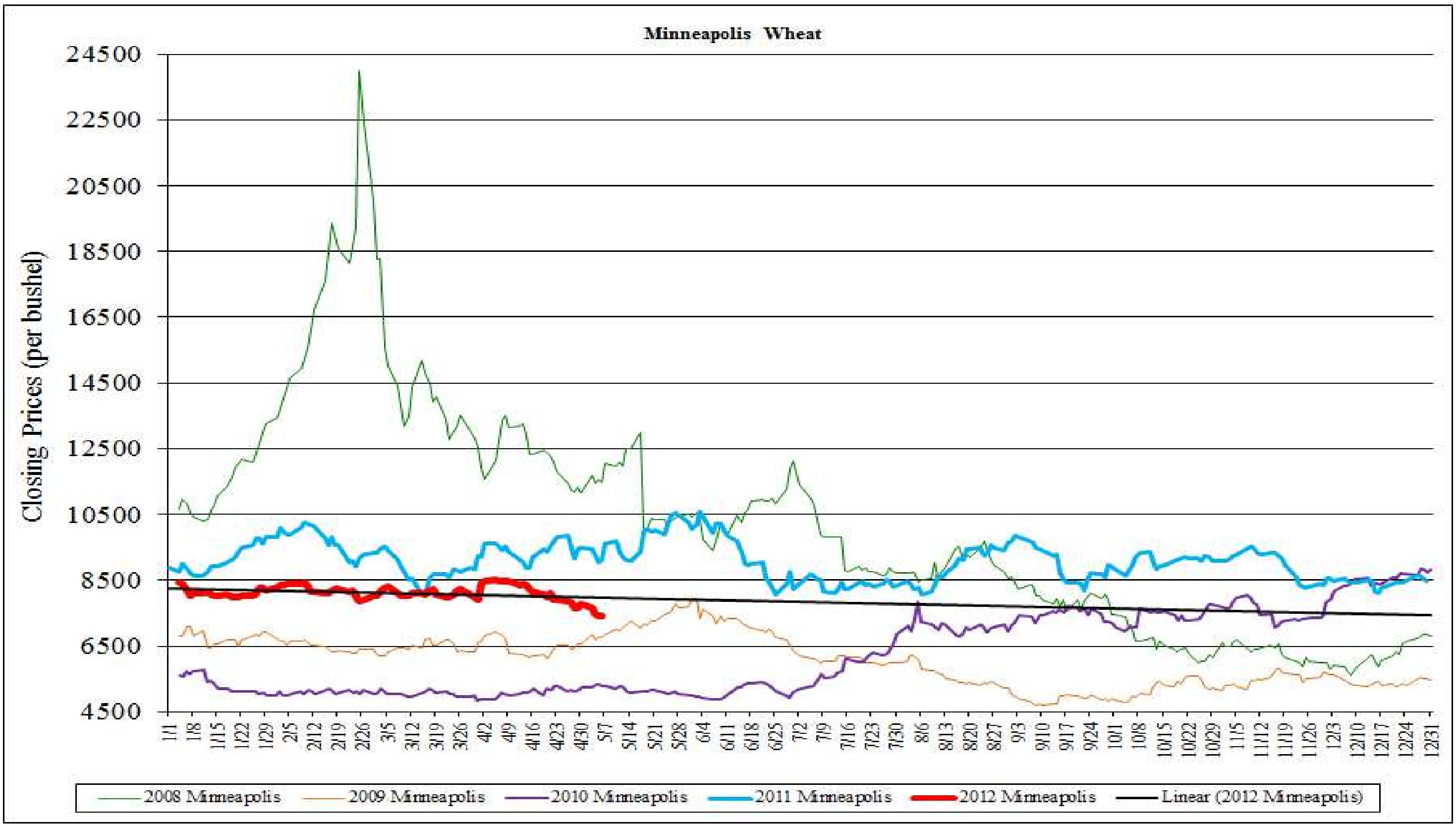


Kansas City Wheat is used to make **Hard Red Winter Patent flours (white pan bread) and H&R flours.**

Hard Red Winter wheat flour closed down $0.59/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 $0.63/cwt. off last Friday's close.

Shortening Market:

July soybean futures contract put in a key reversal this week—higher high and lower low with a close below previous settlement price points the market downward—watch market trend over next several days. At one point this week, the May contract closed at $15.03, and was the first close above $15 per bushel for front month futures since July 17, 2008.

The soybean market was pressured by the sharp decline in corn and wheat and on the strength in the U.S. dollar.

U.S. soybean export inspections were 15.45 million bushels versus 12.7 last week and well over 8.39 million for the same week a year ago. These numbers were all above expectations. We are still 269.8 million bushels behind the cumulative total at this point last year but gaining from the 290 million bushel lag seen earlier in the year. Thursday's U.S.D.A. announcement of 30m soybean oil sold to China for the 2011-2012 marketing year is the first U.S. soybean oil sale to China this year versus 309m last year.

This week, U.S.D.A. reported 12% of the U.S. crop planted, a little faster than the 5% average pace. U.S. planting of corn and beans is continuing on record pace, but recent heavy rains in upper Midwest and into Ohio valley slowing things down. BUT - this weather is still bringing much needed rains to exactly where needed and this will long term be very beneficial and even with delays we will end up getting everything in early.

The Brazilian Real has slipped to its lowest level in more than 2 years against the U.S. dollar. Because soybeans are sold in U.S. dollars, the low Real is allowing prices to Brazilian farmers to work higher despite the slippage in the CBOT price. Brazil's soybean exports during April were below expectations at 4.43 mmt's versus 5.09 mmt's last year. Soybean meal exports were 1.14 mmt's versus 1.25 mmt's last year and soybean oil exports were 132m versus 59m last year.

A glut of soybean oil developing as meal demand soars is creating rare divergence between trends in soybeans and soybean meal versus soybean oil. An imbalance of supply and demand results as crushers bid beans higher to meet the demand for meal, but there's no equivalent demand for the oil unless biodiesel becomes more profitable and soaks up the excess for biofuel production.

Solid soybean exports of late are good indication that current prices are not dampening demand—prices will need to go higher to ration this year's supply. While there will be some acres switching to soybeans from corn, the market is beginning to come to the realization that the U.S. is going to plant enough acres to ease the tightness of the balance sheet.

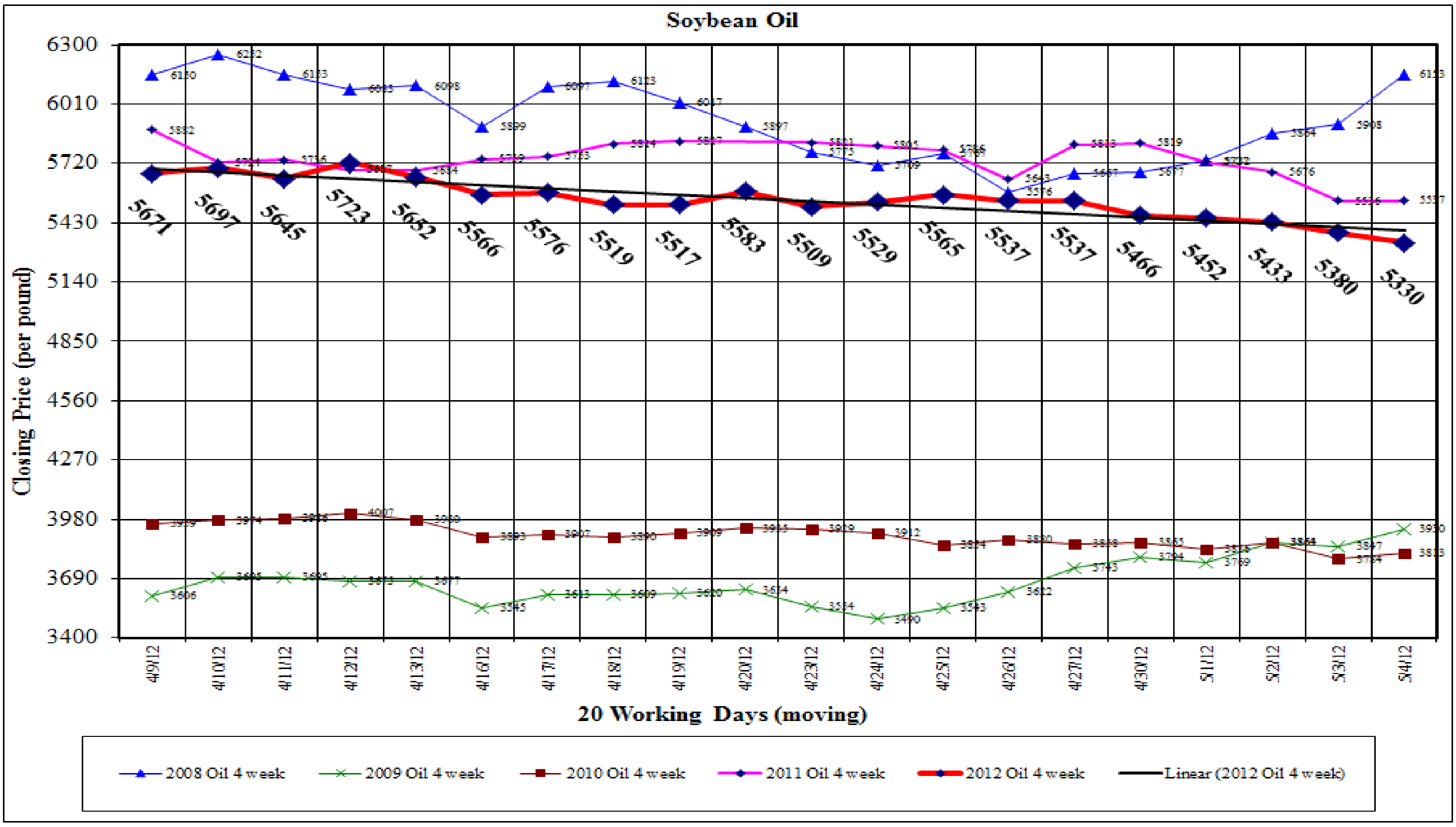
CME Group said that all CBOT will move all of its grain and soybean complex futures and options contracts to a 22-hour trading day starting May 14.

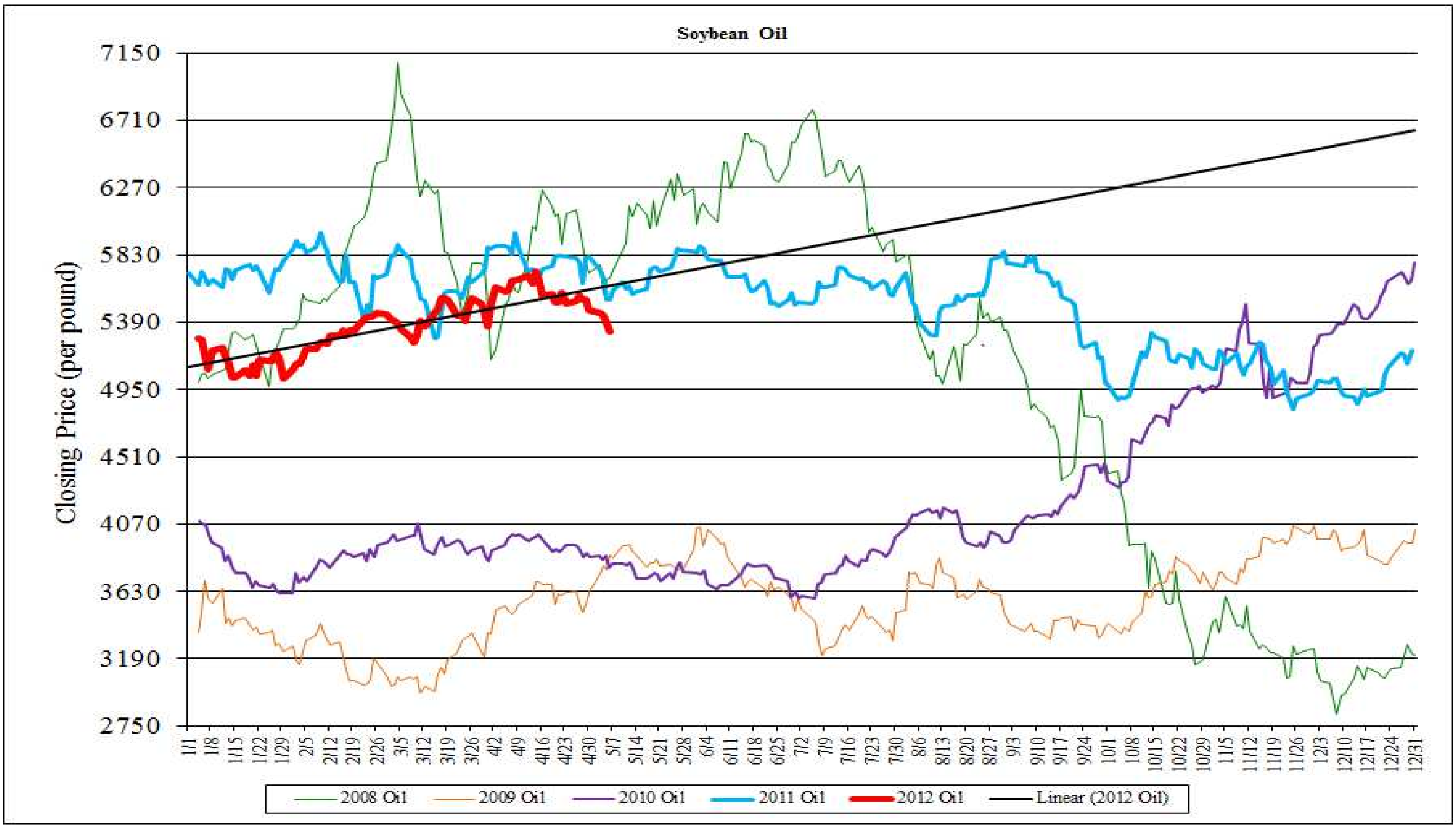
Soybean stocks at select export elevators and terminals were down 1.05 million bushels from last week.

The new crop soy/corn ratio is now up to 2.58:1, signaling strongly to plant any swing acres to soybeans instead of corn in the U.S. The weather forecasts show good planting conditions for soybeans and corn in the 6 to 10 day forecast.

This week's oil market put in a weak performance as prices fell to lower levels along with weakness in other markets. Major negative inputs included fund selling, weakness in soybeans, weakness in crude oil, weakness in the Chinese market, weakness in the palm oil market and ideas that recent gains have left the market overbought. Major supportive inputs included commercial buying, traders who bought oil/sold meal, concerns that recent market declines have left the oil market near oversold levels and increased consumer buying interest after recent price declines.

Shortening closed down $1.12/50# cube ($0.79/35# pail of oil, $0.0225/lb. for bulk oil) for the week.


Soybean Oil
Closing Price (per pound)
20 Working Days (moving)
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)

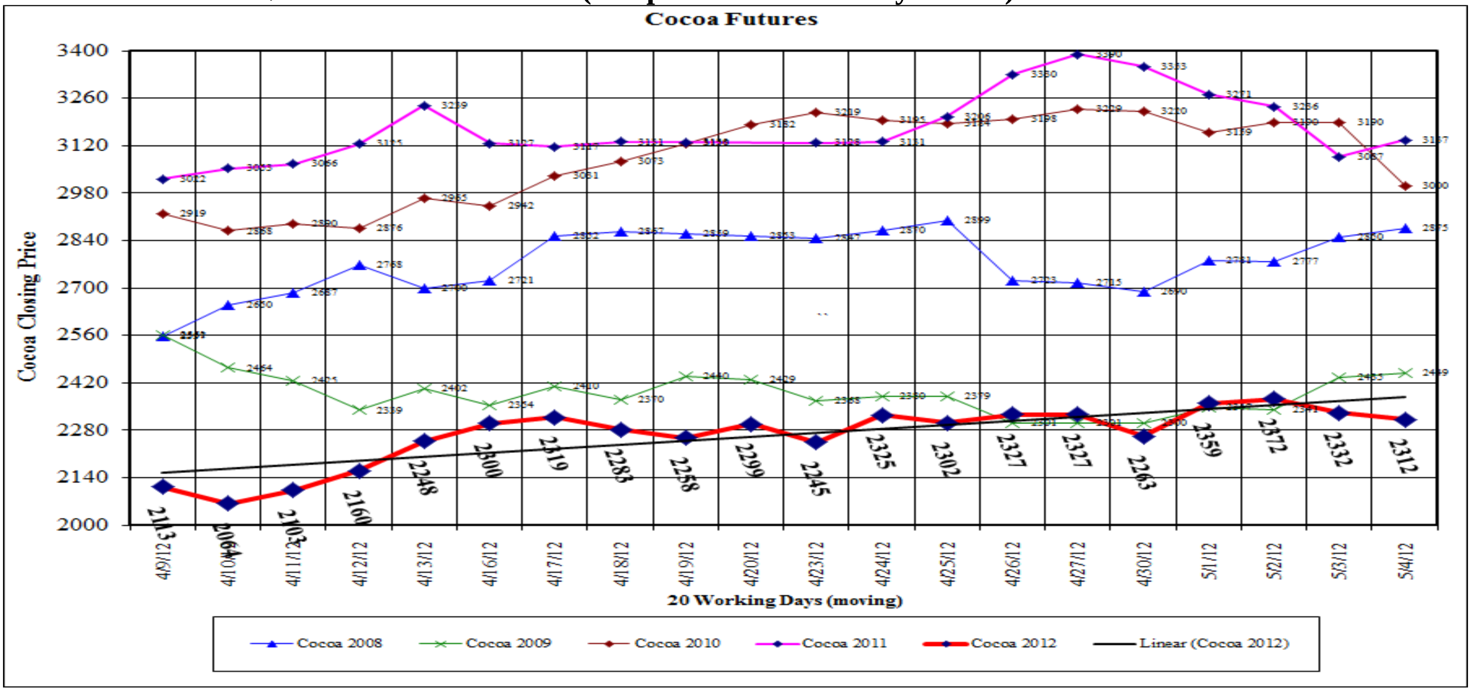

Soybean Oil
Closing Price (per pound)
2008 Oil
2009 Oil
2010 Oil
2011 Oil
2012 Oil
Linear (2012 Oil)

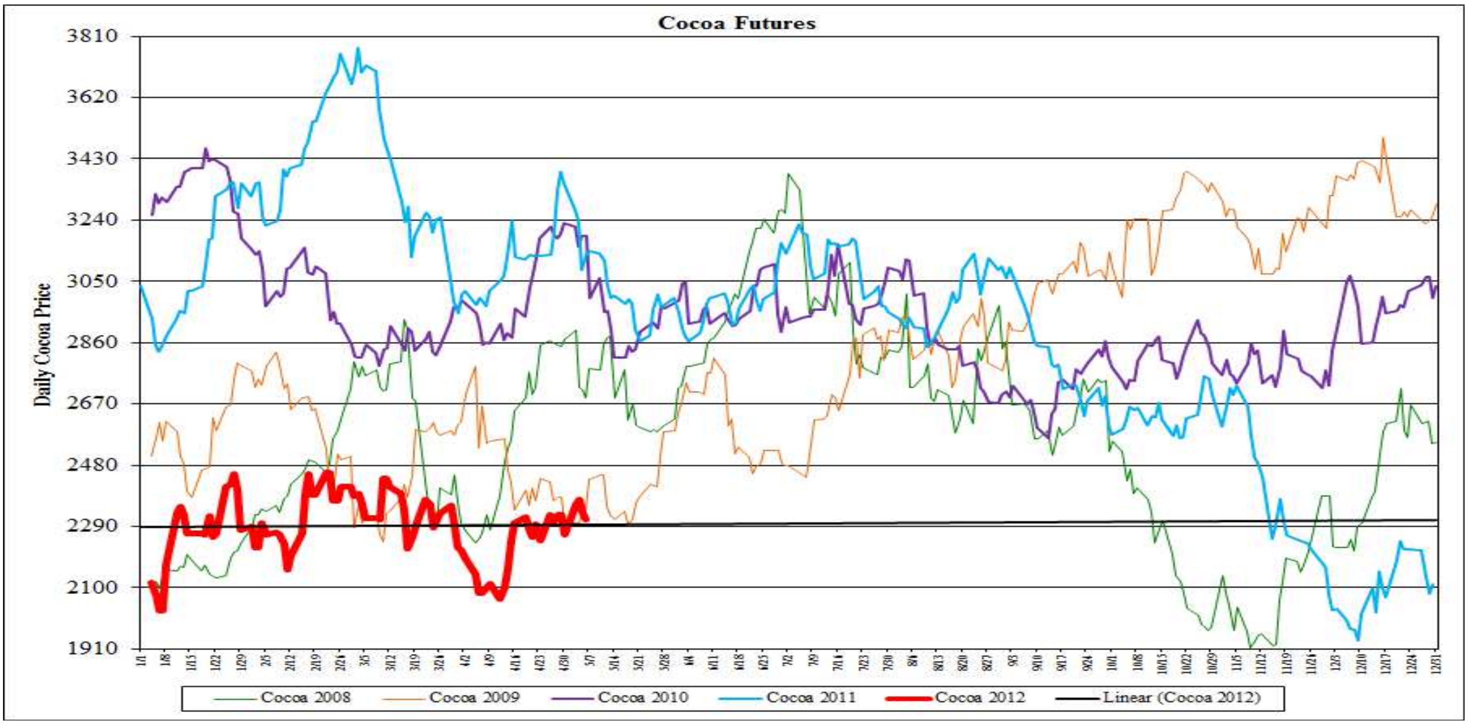
Cocoa Market:

Cocoa closer lower for the week although trading has been very choppy and cocoa bulls and bears are on a level near- term technical playing field. The next upside price breakout objective for the cocoa bulls is to push and close prices above solid technical resistance at the March high of $2,443. The next downside price breakout objective for the bears is pushing and closing prices below solid technical support at this week's low of $2,146. First resistance is seen at this week's high of $2,356 and then at $2,275. First support is seen at yesterday's low of $2,313 and then at $2,300.

Cocoa had a much narrower trading range this week but still managed to have its best close since mid-April. However, cocoa is also in a strong looking resistance that goes from 2300 to the 2450 level. Cocoa has been trending lower since February 2011 although cocoa has been basically range bound, (albeit a large one), since early December.

Cocoa closed down $15.00/ton for the week (compared to last Friday's close).





Sugar Market

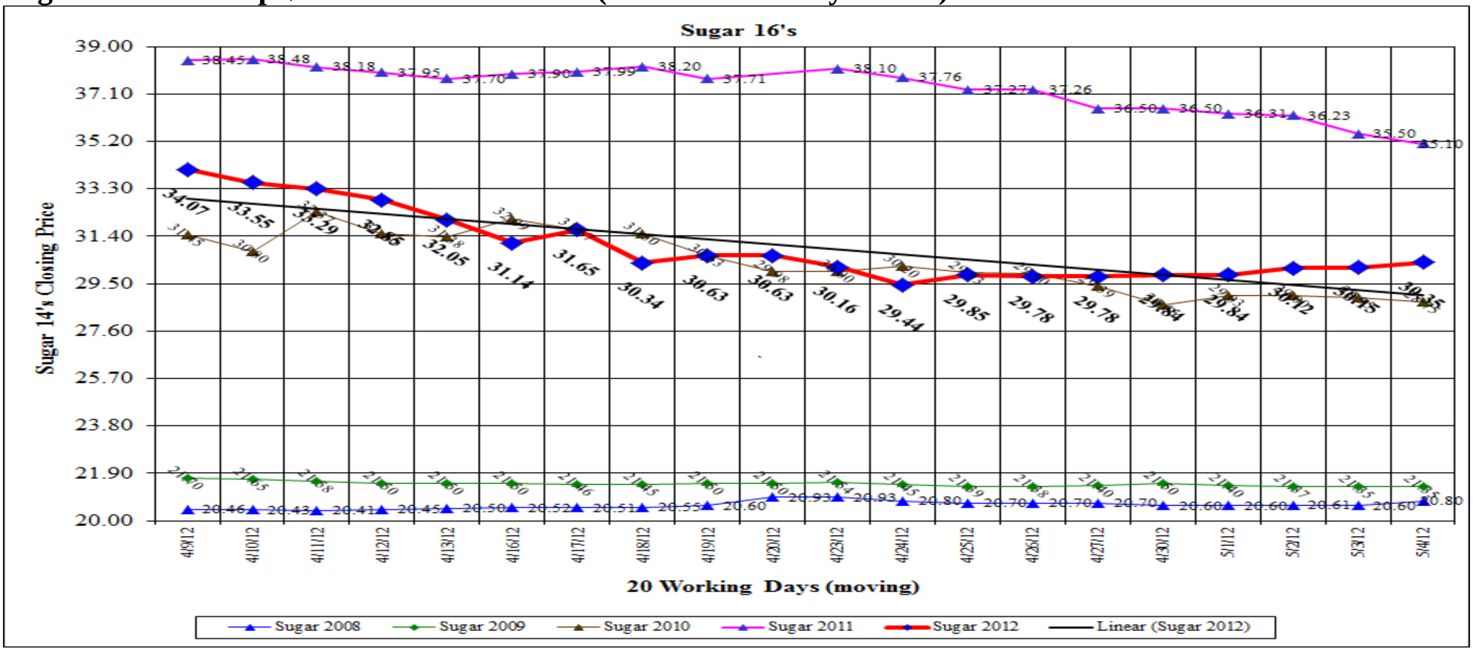
#11 sugar futures broke down to 11 1/2-month low pressured by the rising U.S. dollar, global surplus and some technical selling. Deliveries against the May contract have been greater than expected and some are suspecting that crop is bigger in center-south Brazil.

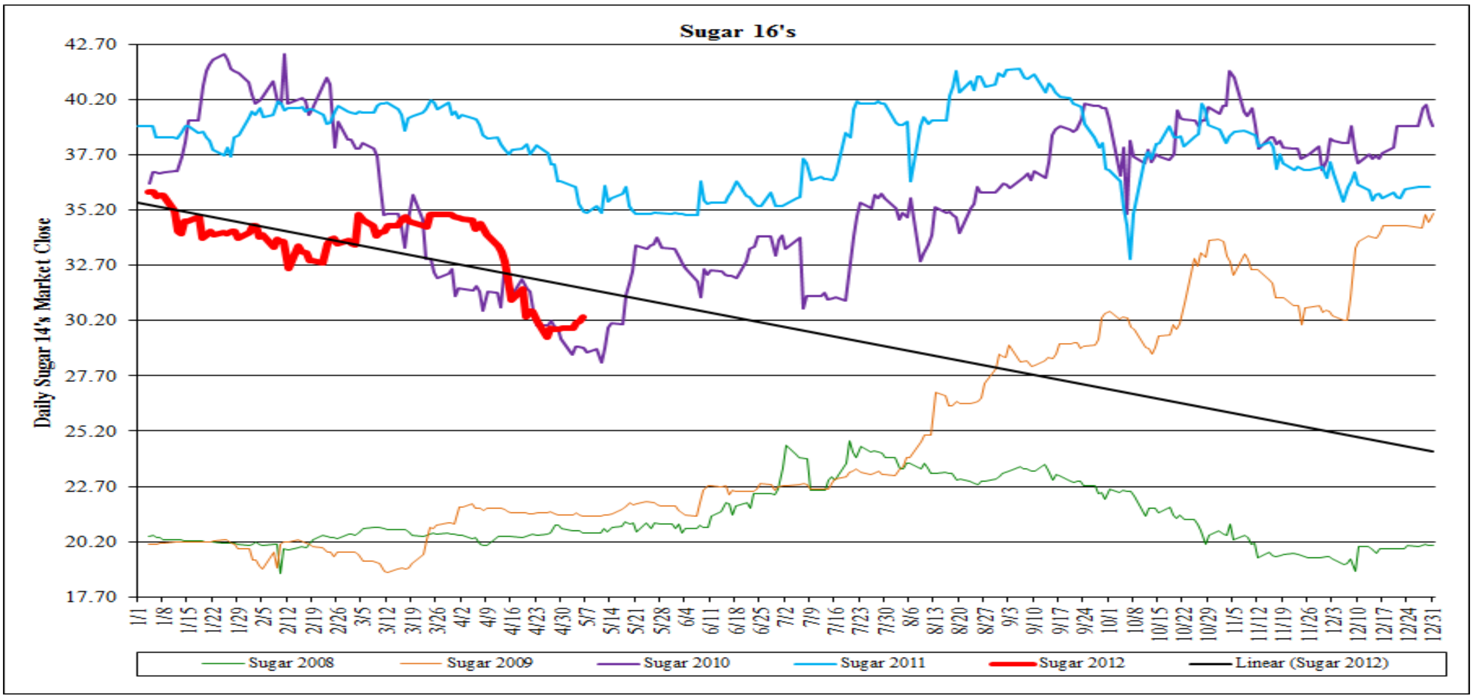
It was announced that Louis Dreyfus is buying Imperial Sugar.

Both Domino and United lower announced prices to $48.00 per CWT bulk basis—and the cash market is trading a lower levels. U.S. supplies of raw sugar are more than adequate, but refined sugar remains tight.

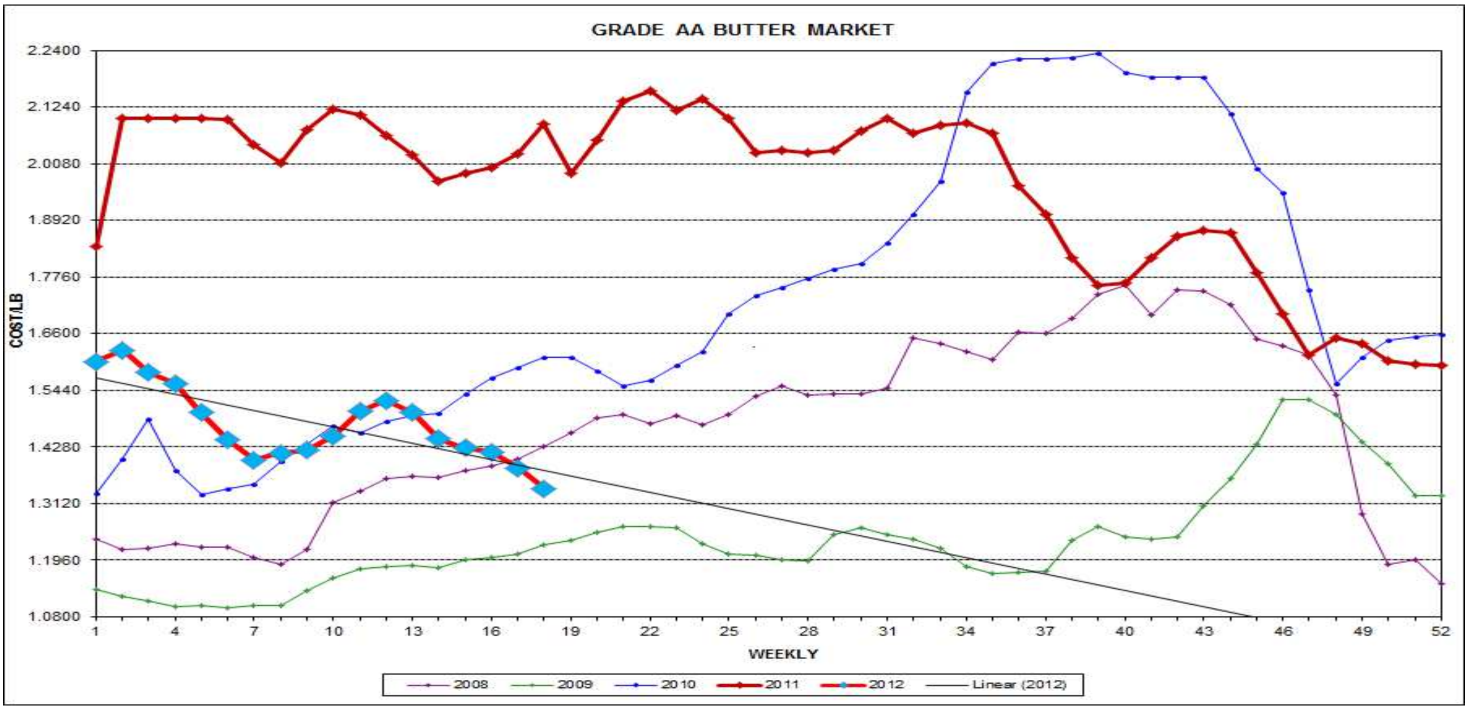
Price Outlook: Near-term U.S. sugar prices remain soft, but increasing seasonal demand along with refining capacity constraints and still tight U.S. supply/demand picture will firm prices.

Sugar 16's closed up $0.57/cwt. for the week (versus last Friday's close)





Butter Dairy Market



Score AA butter closed down $0.035/lb. on Friday, ending the week at $1.31/lb. The weekly average is $1.342/lb. down $0.0425/lb. from last week's average.

A. Butter Market

The butter price continues to edge lower and closed the week at $1.3100. This price compares to $1.3600 last Friday, $1.4375 a month ago, and $2.0950 a year ago. Churning schedules across the country remain very active as cream supplies are readily available. As has been the case for past weeks, churning continues to outpace demand, thus inventories are building. According to the March Dairy Products report, U.S. butter production totaled 176 million pounds, up 6.4% or 10.6 million pounds from March of last year. Cumulative output through March for the U.S. is 526 million pounds, up 9.0% or 43.5 million pounds from the same 3 months in 2011. Overall butter demand is fair. Often buyers are hesitant and cautious with their orders as the cash price eases. Retail butter feature activity has slowed following the recent holiday, but butter continues to be advertised in print ads. Cooperatives Working Together (CWT) continues to accept butter export assistance requests and during the week announced that they recently accepted requests totaling nearly 1.6 million pounds (712 MT).

The preliminary April 2012 Milk-feed Price Ratio is 1.45 according to U.S.D.A.'s Agricultural Prices report released this Monday. The Milk-feed Ratio reflects the purchasing power of one pound of milk. In other words, one pound of milk can buy 1.45 pounds of 16% protein dairy feed. This is the lowest Milk-feed Ratio since June 2009, when dairy farm profitability hit rock bottom. Key factors in the ratio include: the All Milk Price at $16.90, down $0.30 from the prior month; prices received for corn $6.14/bu. down $0.21; soybeans $13.80/bushel. up $0.80; and alfalfa at $207/ton, $7 higher. Current weather conditions could provide for a favorable U.S. corn harvest and hence lower prices during the second half of 2012. However, market participants should be aware that extreme heat during pollination and continued demand from China could be two factors that buoy the corn market. In some markets, a 15% to 20% decrease is expected in the second half the year.

B. Dairy Powders

Prices for nonfat dry milk are lower across the country due to increasing inventories. Increased milk supplies are finding their way to drying facilities as a way to store milk solids. Decreased skim milk powder production and demand have added to NDM production in the United States. Demand is weak as buyers take advantage of increased supplies to lower bids for spot needs. Heavy butter production is adding to dry buttermilk inventories. Contract movement is orderly with spot demand sluggish. Dry whey prices are weak as buyers look for discounts to fill spot needs. Spot activity was quiet this week as many market participants attended a major dairy conference in the Midwest. Increased production of higher protein concentrated whey products is keeping whey inventories manageable. Whey protein concentrate 34% prices reflected lower price offers from end users. Lactose prices are unchanged. Good domestic and international demand for lactose is driving the firm market.

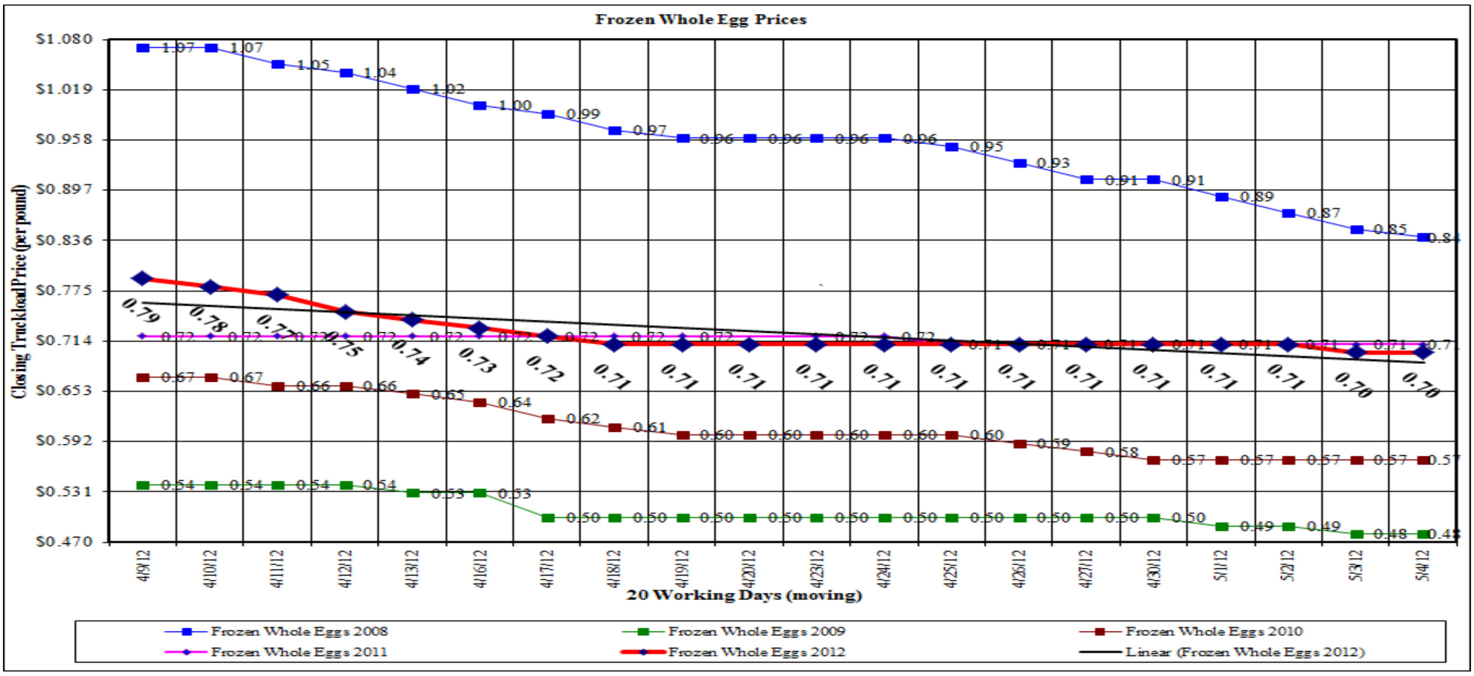
Eggs

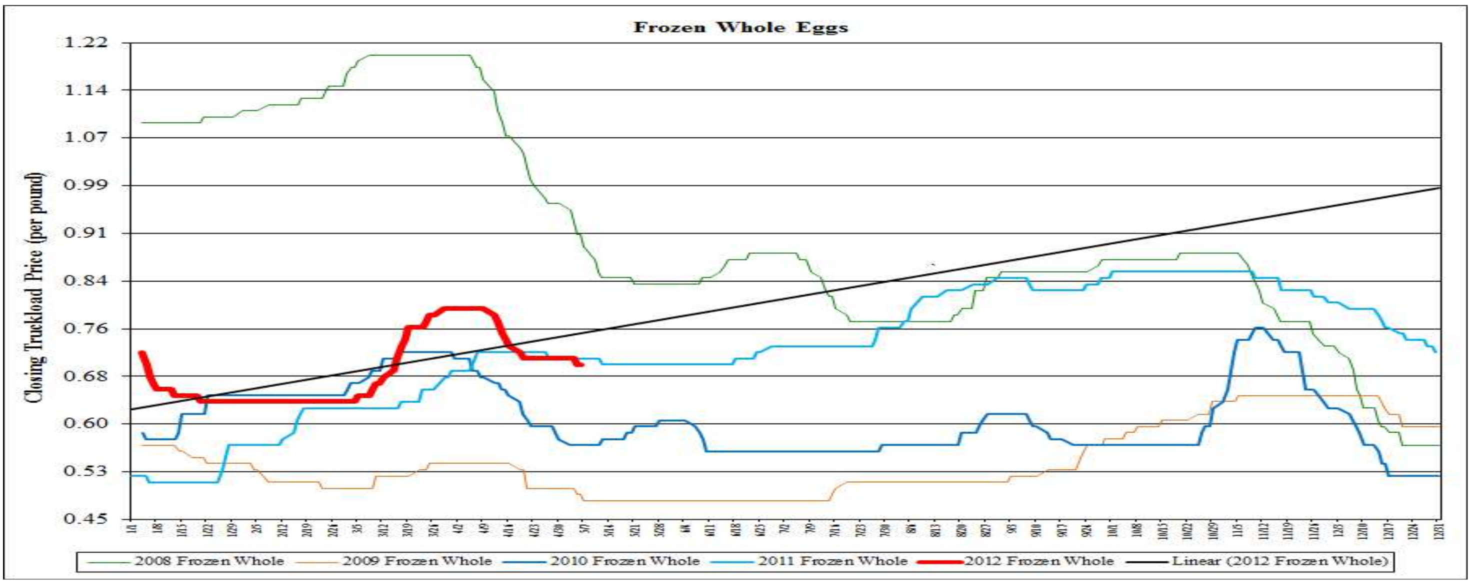
Retail demand is only fair, which is surprising for most with the current price structure. At best, interest is described as "seasonally average". Features are historically needed to motivate consumers during what is usually a slow month of May, but to this point ad activity has been lackluster. More promotions are scheduled for the next few weeks, but many retailers are not placing promos until they feel the market has completely settled. Foodservice is the only bright spot in many cases, with summer businesses now beginning to place their orders. Supplies of jumbos are balanced. Extra-large are adequate to available. Large and mediums are available. Wholesale trading activity continues to be limited by overall supply availability. Buyers are not showing interest in spot market supplies due to their own inventory positions, leaving sellers forced to negotiate their asking prices where eggs are growing burdensome. Large and mediums are moving only when discounted. Further processors are able to secure supplies of breaking eggs below published market quotes and forcing them lower. The market is soft.

U.S. broiler eggs set: 95% of year ago levels. U.S. chicks placed: 97% of year ago levels.

Liquid prices remain unchanged; however processors are monitoring adjustments in the breaker market closely. Liquid whites are steady toward the low end of market ranges, while yolk activity is limited. The frozen and dried markets are unchanged, as sellers hold asking price at present levels with buying interest noted both domestically and abroad.

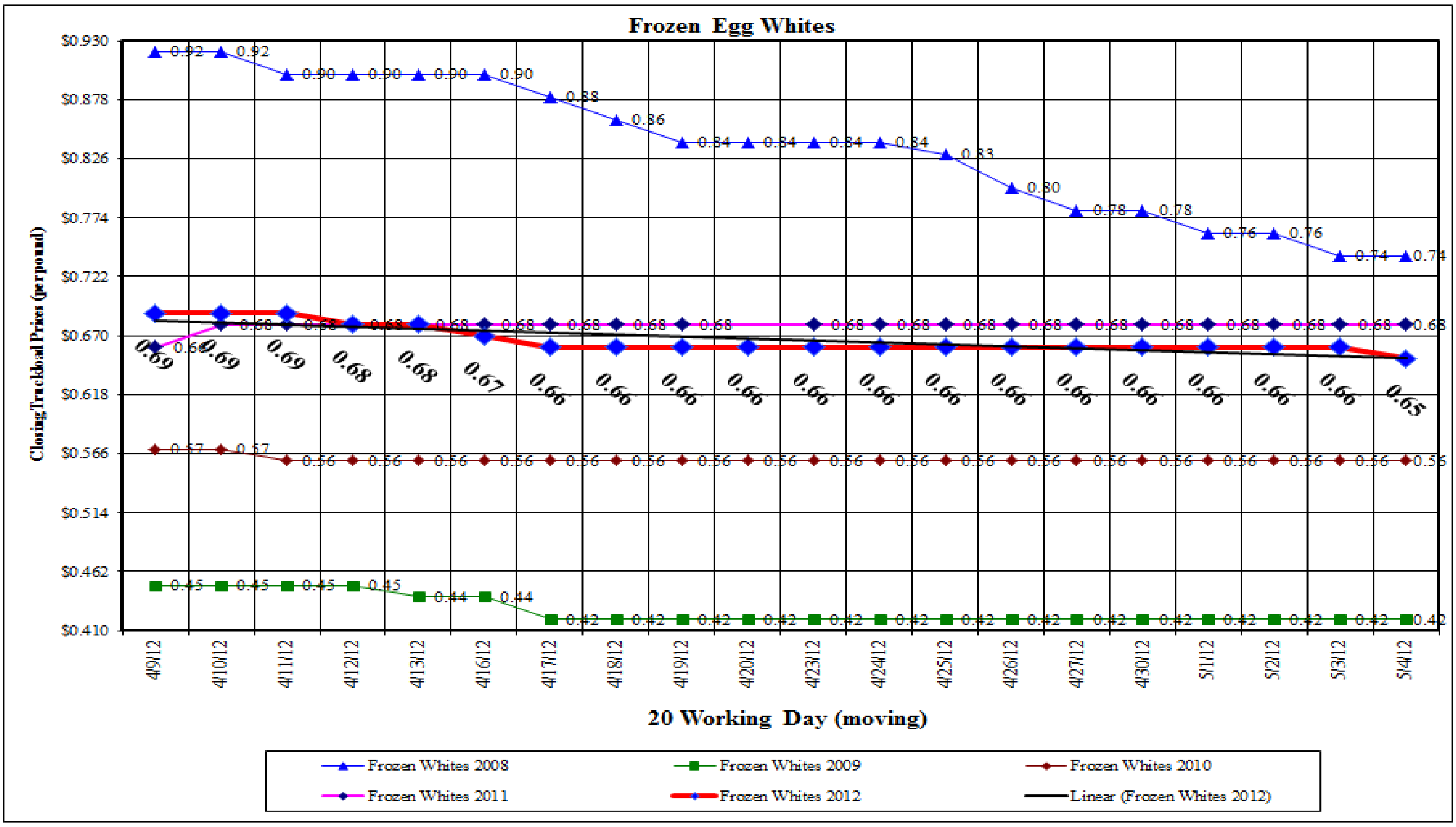
a. Frozen Wholes

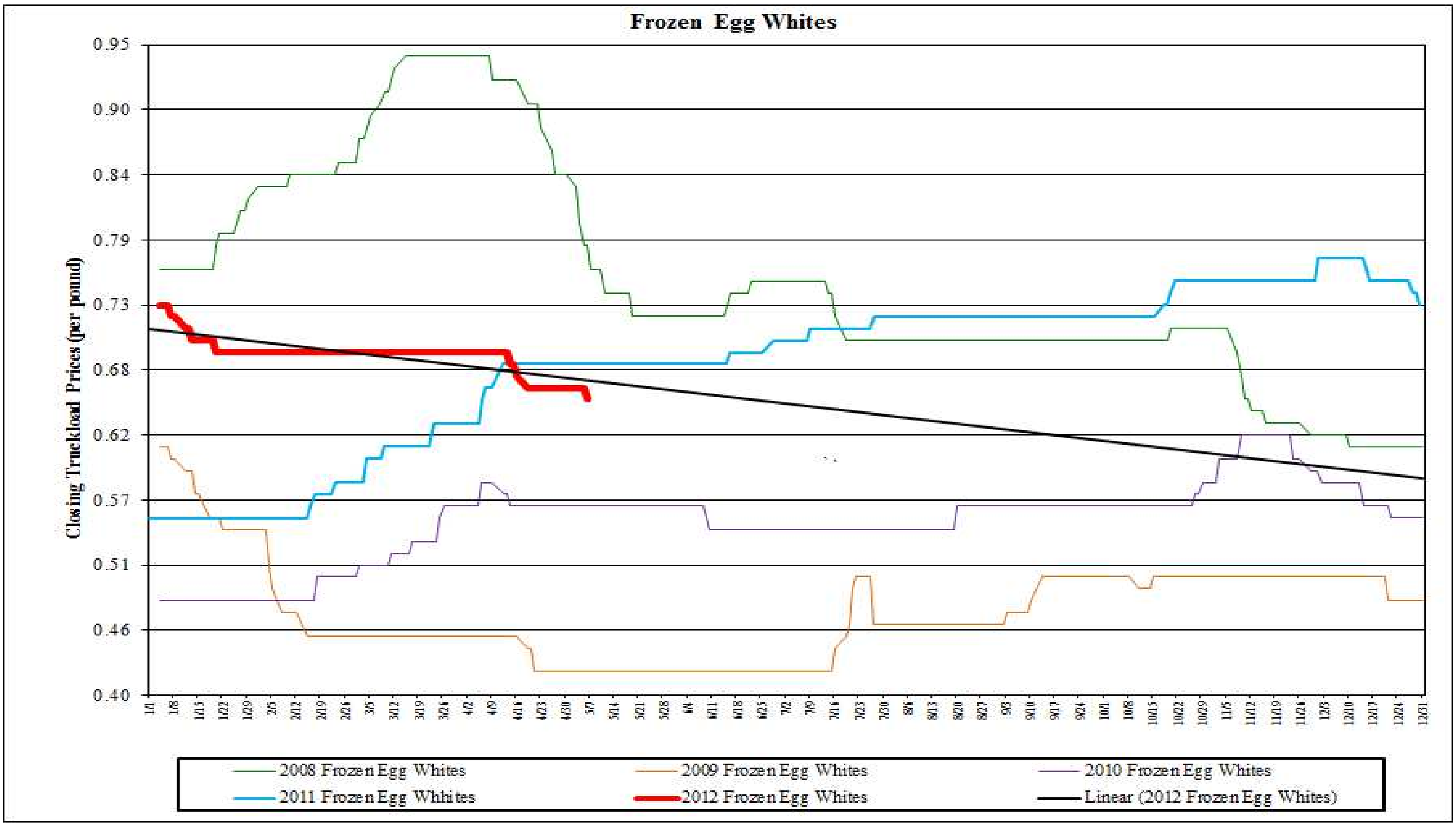




Frozen Whole Eggs closed down $0.01/lb. for the week (compared to last Friday's close).

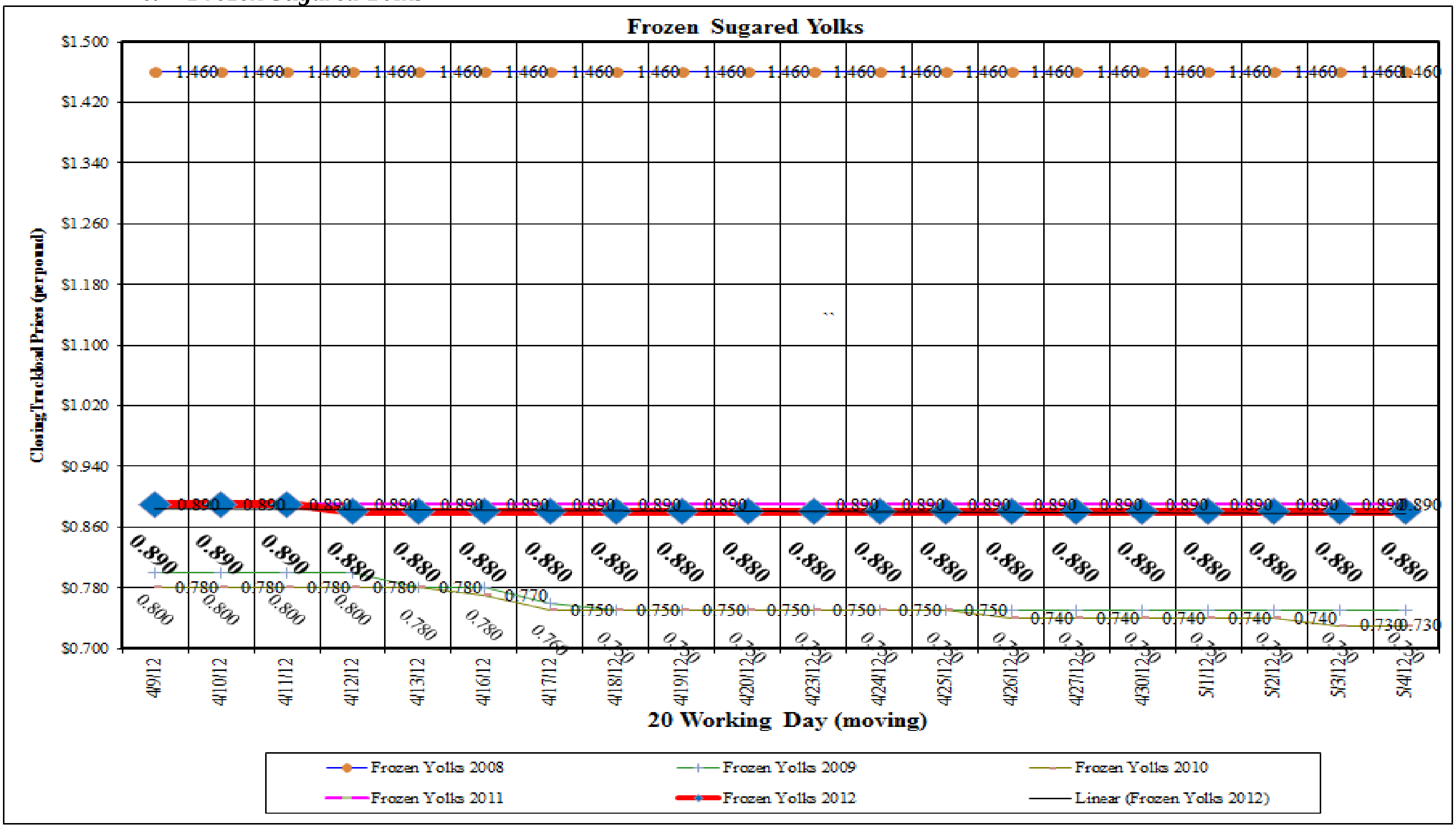
b. Frozen White

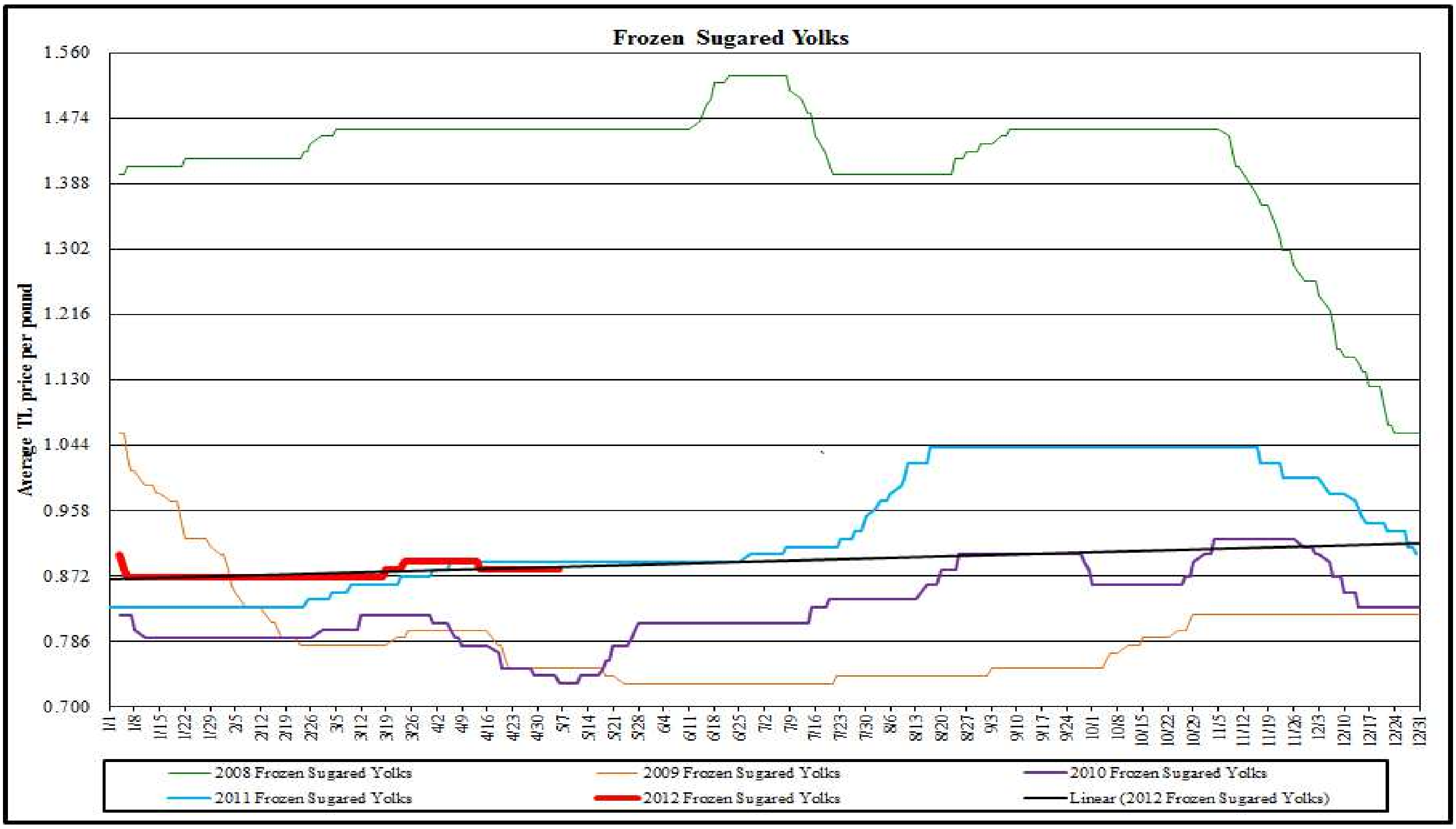




Frozen Egg Whites closed down $0.01/lb. for the week (compared to last Friday's close).

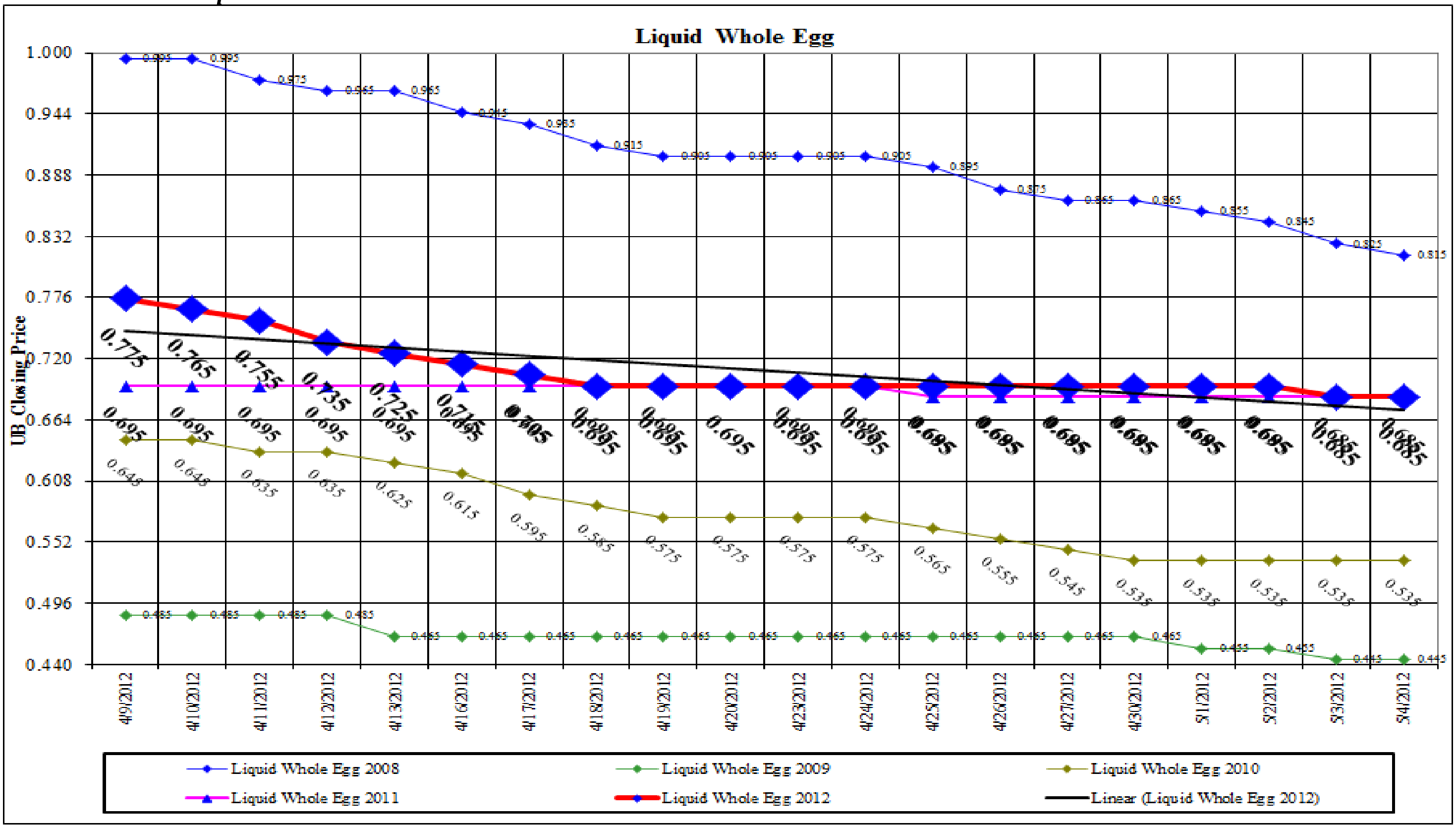
c. *Frozen Sugared Yolks*

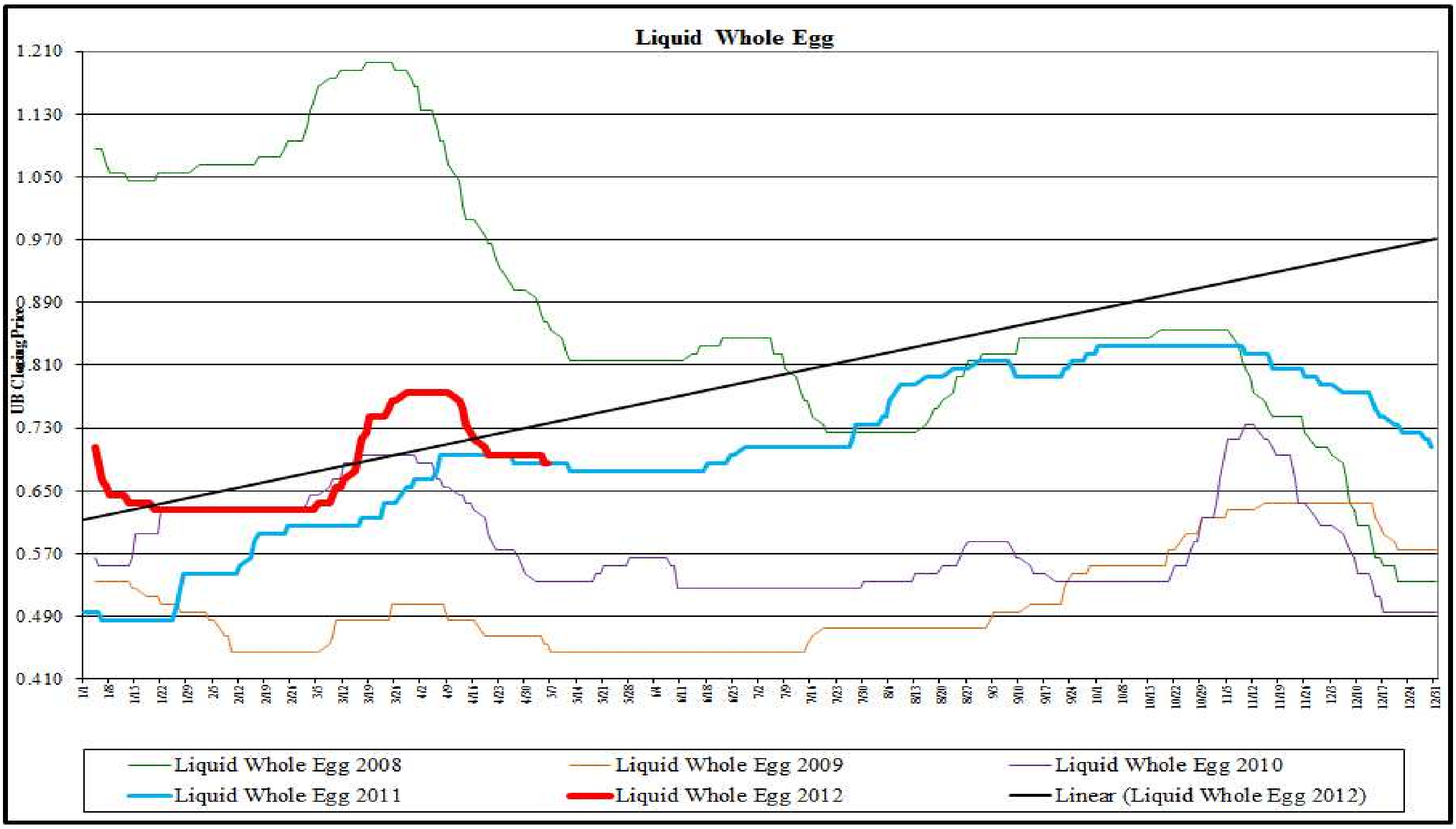




Frozen Sugared Yolks closed "no change" for the week (compared to last Friday's close).

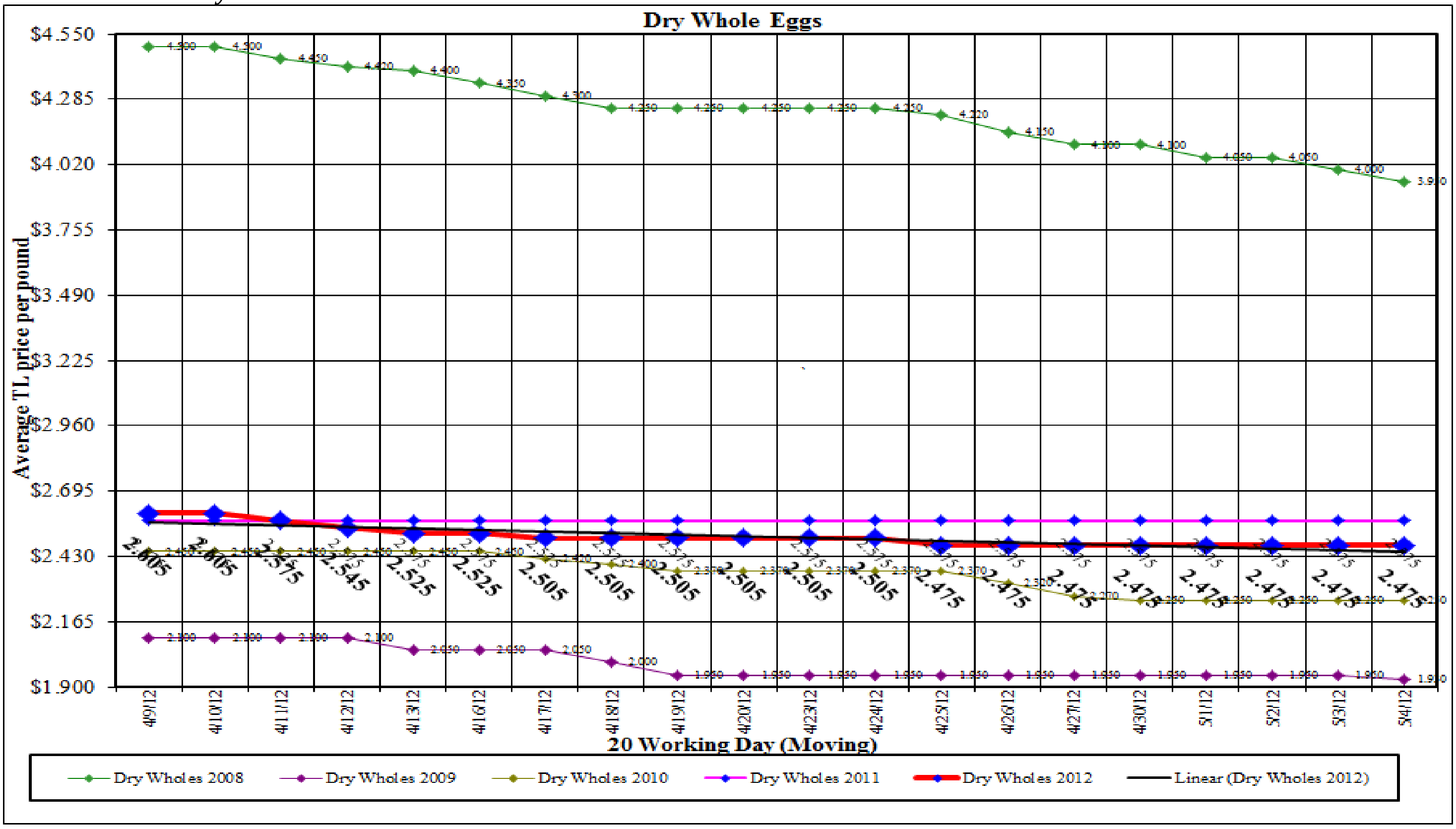
d. Liquid Wholes

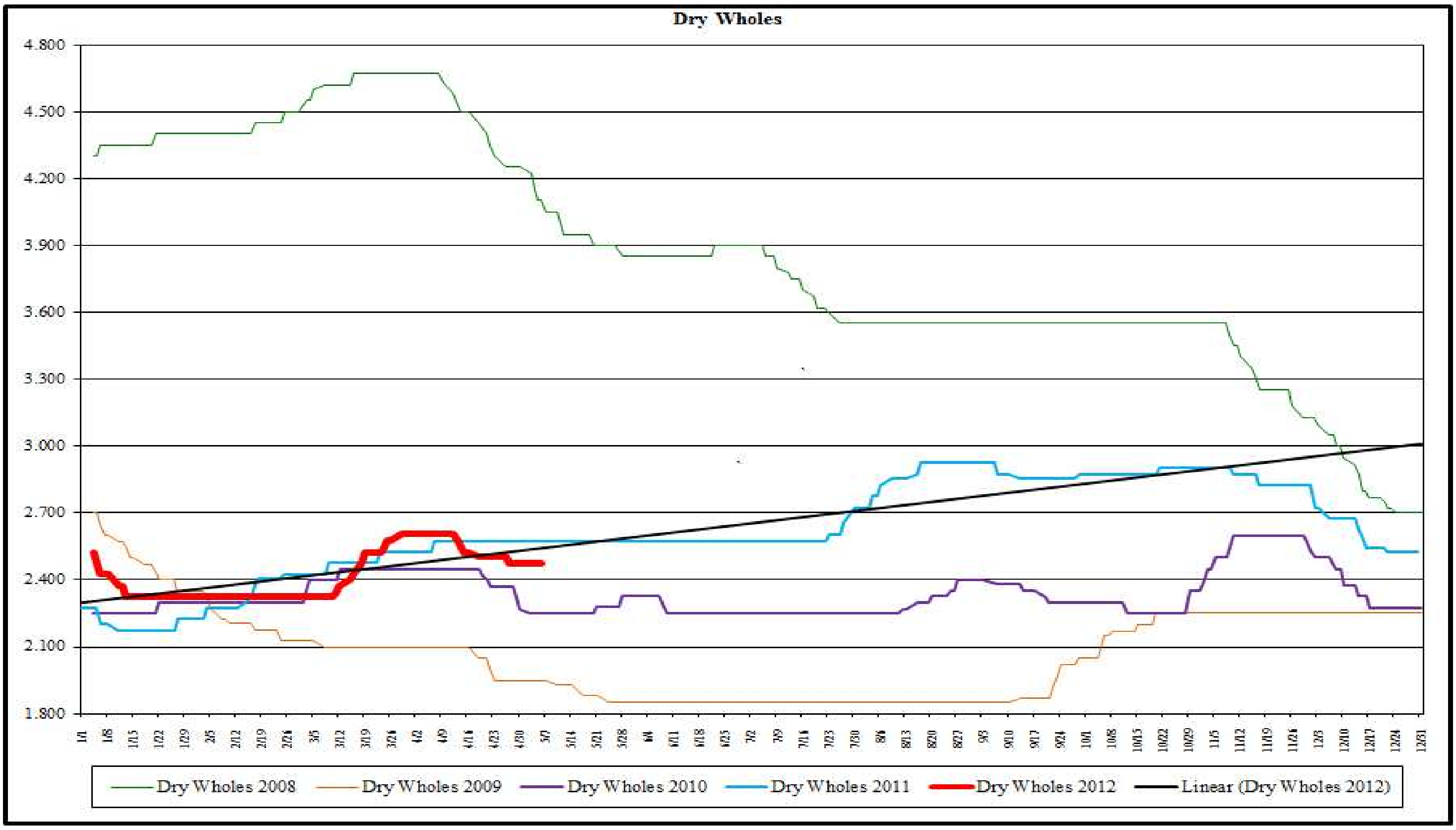




Liquid whole eggs closed down $0.01/lb. for the week (compared to last Friday's close).

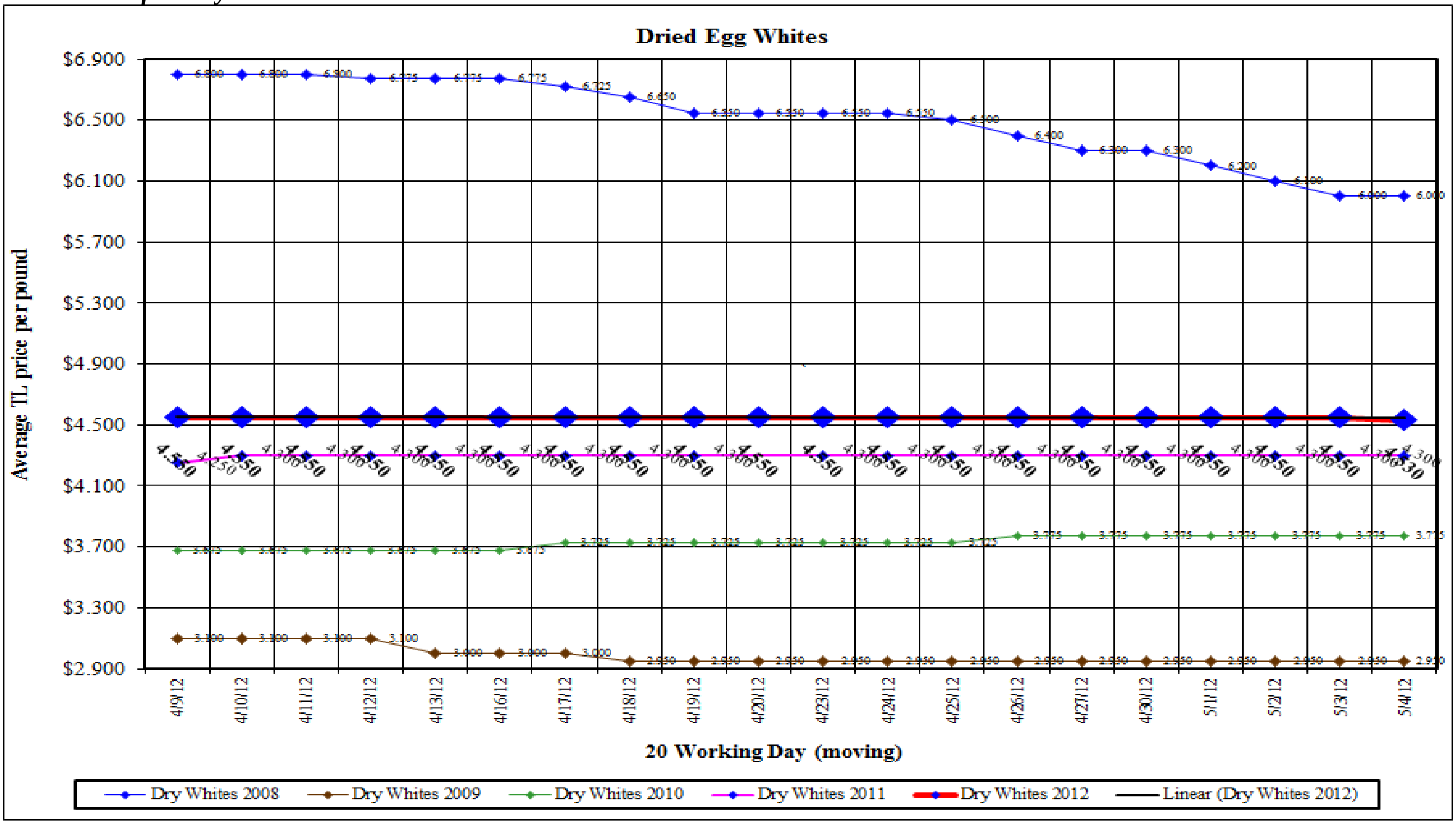
e. Dry Wholes

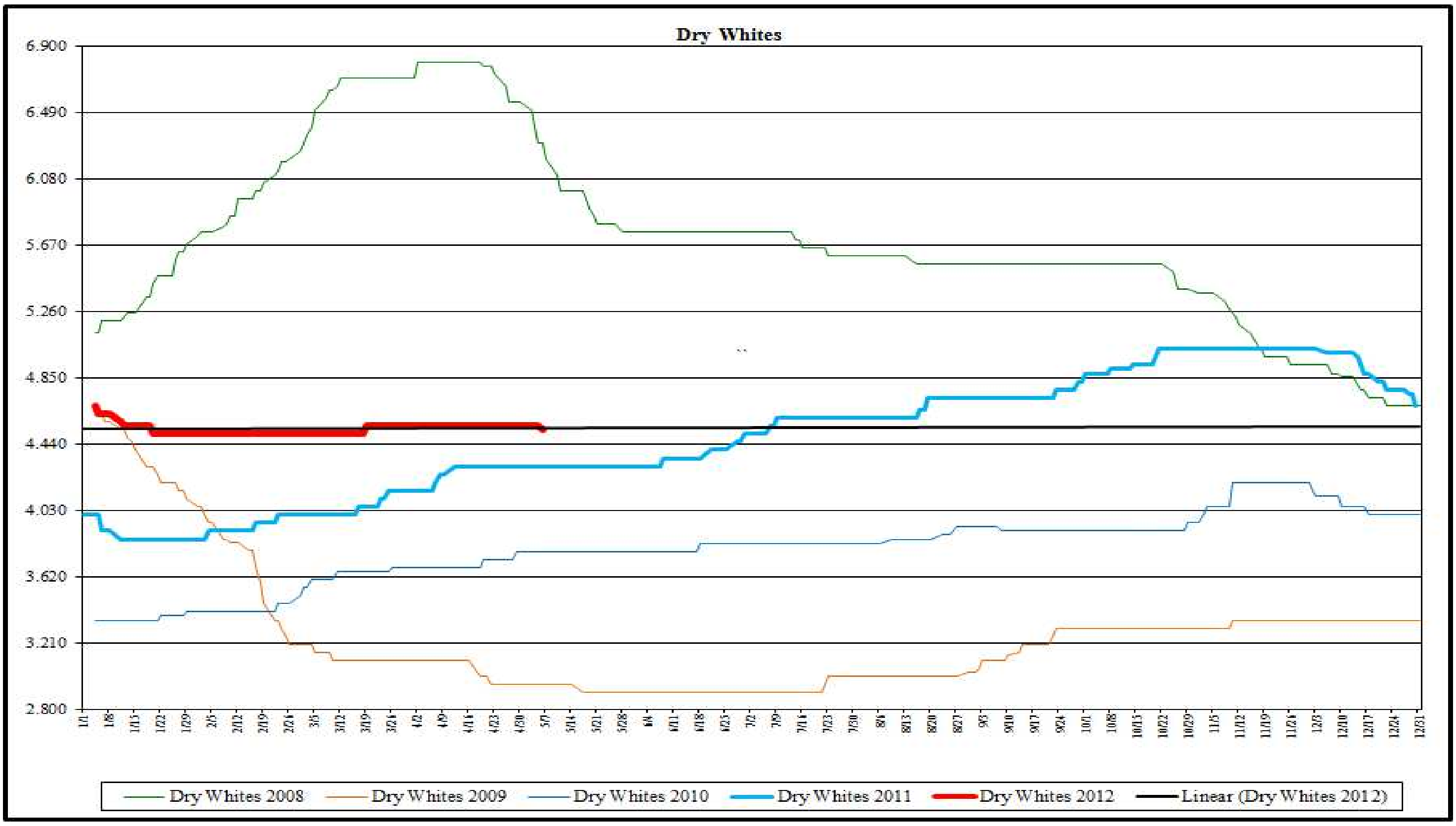




Dried Whole Eggs closed "no change" for the week (compared to last Friday's close).

f. Dry Whites





Dried Egg Whites closed down $0.02/lb. for the week (compared to last Friday's close).

Corn
Rumors of export demand pulled prices higher. U.S.D.A. announced sales of 130m corn to “unknown” for the 2012-2013 marketing year. There was a recirculation of the statement released last week that China will allow the import of Argentine corn into Chinese ports.

Old crop corn futures moved higher in spite of big pressure coming on the collapse in wheat resulting from comments of the annual Wheat Quality Council tour finding record HRW wheat yields in areas in the Kansas wheat crop. Forecasts for generally favorable weather for the corn belt pressured December corn futures.

Corn has been in a trading range between approximately $6.80 and $5.90 since October.

The trade was looking for U.S. planting progress to be in the 42-46% range. It was even faster than expected at 53% complete. The 5 year average for this date is only 27%. Iowa planted 41% of the expected state acreage in a single week. Nebraska is at 44%. Emergence is a little slower than expected, at 15%. Cold weather slowed it in some areas.

Corn export loadings slipped a little further behind year ago last week. We are now 80.78 million bushels behind this point last year. Corn stocks at select export elevators and terminals were down 3.5 million bushels from last week.

Ethanol stocks were up 1.7% from last week and down 1.5% from last month at 22.22 million barrels. Some DDG users report difficulty getting offers from plants past June with uncertainty about scarce old crop supplies could cause plant shut downs. U.S. ethanol production for the w/e 4/27 increased from 865,000 barrels per day last week to 894,000 barrels per day. Ethanol stocks increased slightly from 21.9 million barrels last week to 22.2 million barrels. The increase in ethanol stocks was bearish for old crop corn futures, although the weekly ethanol production pace still exceeds the level needed to reach U.S.D.A.’s ethanol grind of 5000 million bushels. The latest weekly rate suggests a grind closer to 5100 million bushels.

Crop conditions over the next several days should be ideal for planting and development although there are the usual concerns about too dry and too wet areas and a good chunk of the corn belt won’t be planting due to heavy rain.

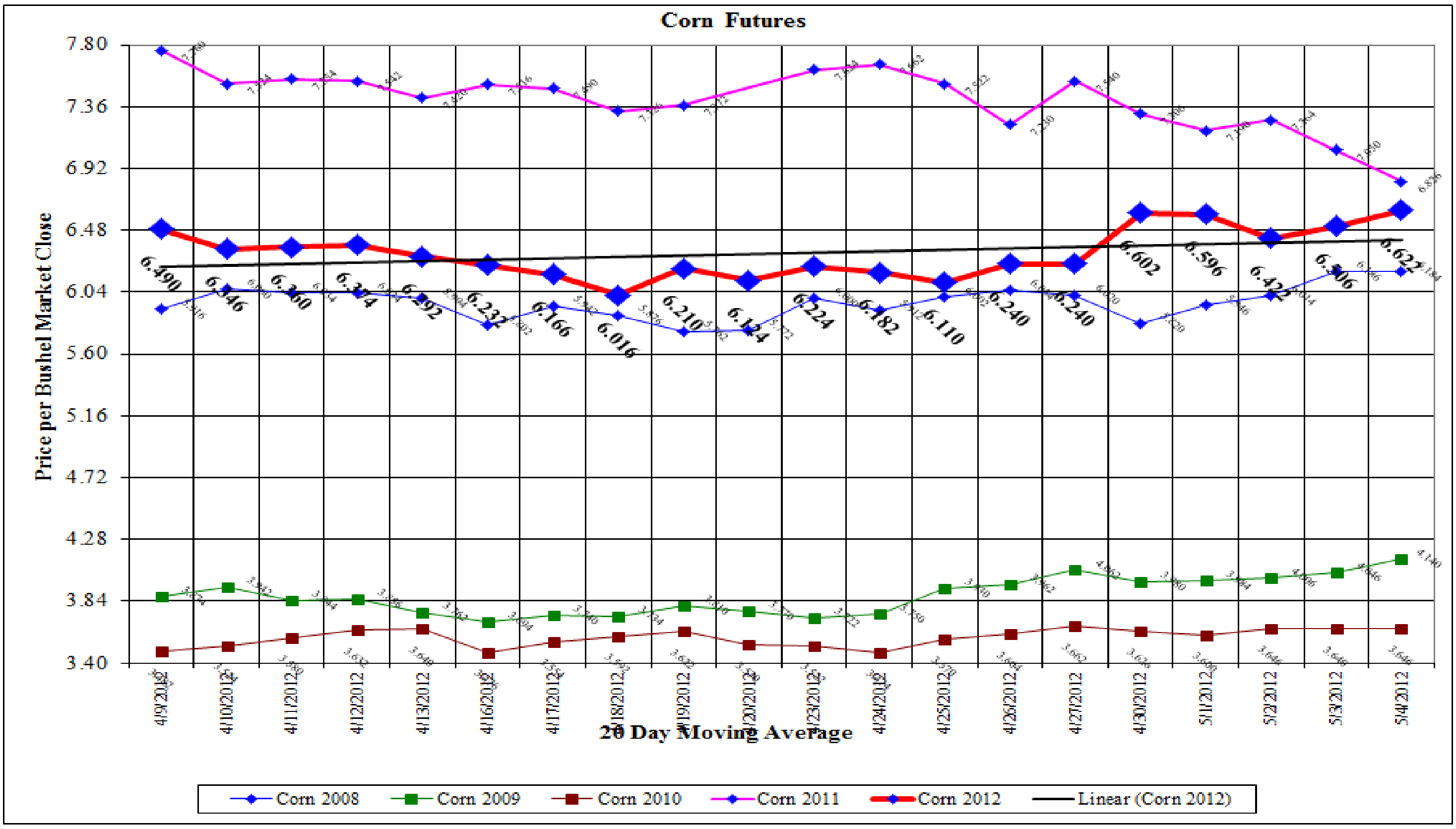
In the U.S. Midwest showers will provide 75% coverage of corn and soybeans through Sunday. Widespread rains are expected over the next week, with only brief breaks. This will slow corn and soybean planting, but the upper Midwest will dry out from the second half of the six to 10 day period through the 11 to 15 day period. In the U.S. Delta and Southeast showers will provide 35% coverage of corn and soybeans through Sunday. There is a better chance for moisture next week throughout the belt. This could help the driest areas, including Tennessee, western Kentucky, southeastern Missouri and northeastern Arkansas.

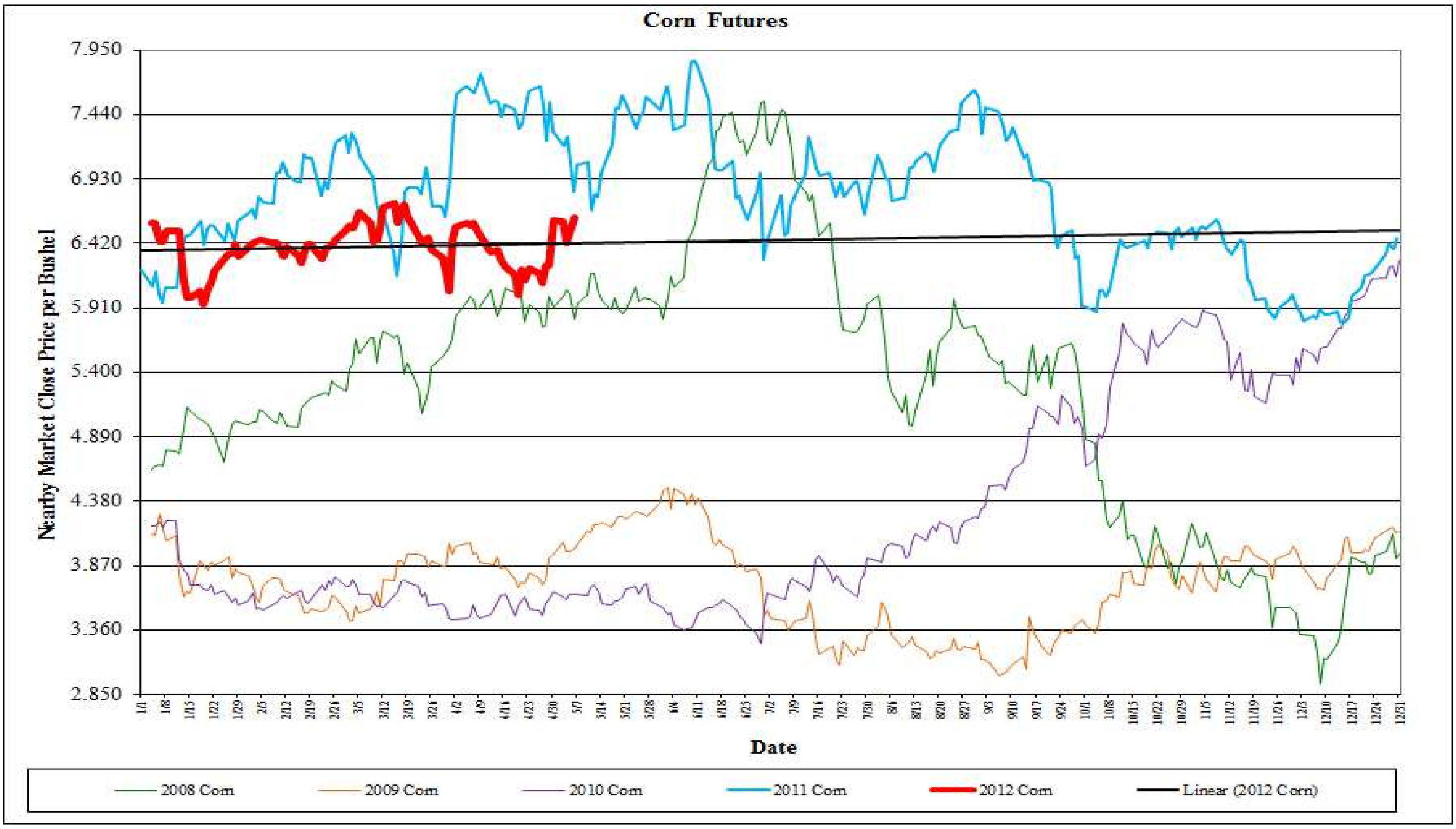
Trade estimates for weekly export sales report ranged from 2.6 to 3.3 MMT. U.S.D.A. put the actual number for the week ending April 26th at 1,331,900 MT for 2011/2012 marketing year and net sales of 2,140,300 MT for 2012/2013 marketing year, primarily for unknown.

Corn stocks at select export elevators and terminals were down 3.5 million bushels from last week.

The corn market will continue to impacted by weakness in wheat as the trade will fear that increased wheat feeding will occur at the expense of corn during June-August, which would help alleviate the tightness in old crop corn supplies. Slow U.S. producer selling should still keep nearby corn pipeline supplies tight. Expect July corn futures to find support at $5.90-$6.00 and resistance at $6.60-6.70. Favorable U.S. weather could continue to pressure December corn futures.

Corn futures closed down $0.382/bushel for the week (versus last Friday’s close).


Corn Futures
Price per Bushel Market Close
20 Day Moving Average
Corn 2008
Corn 2009
Corn 2010
Corn 2011
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)

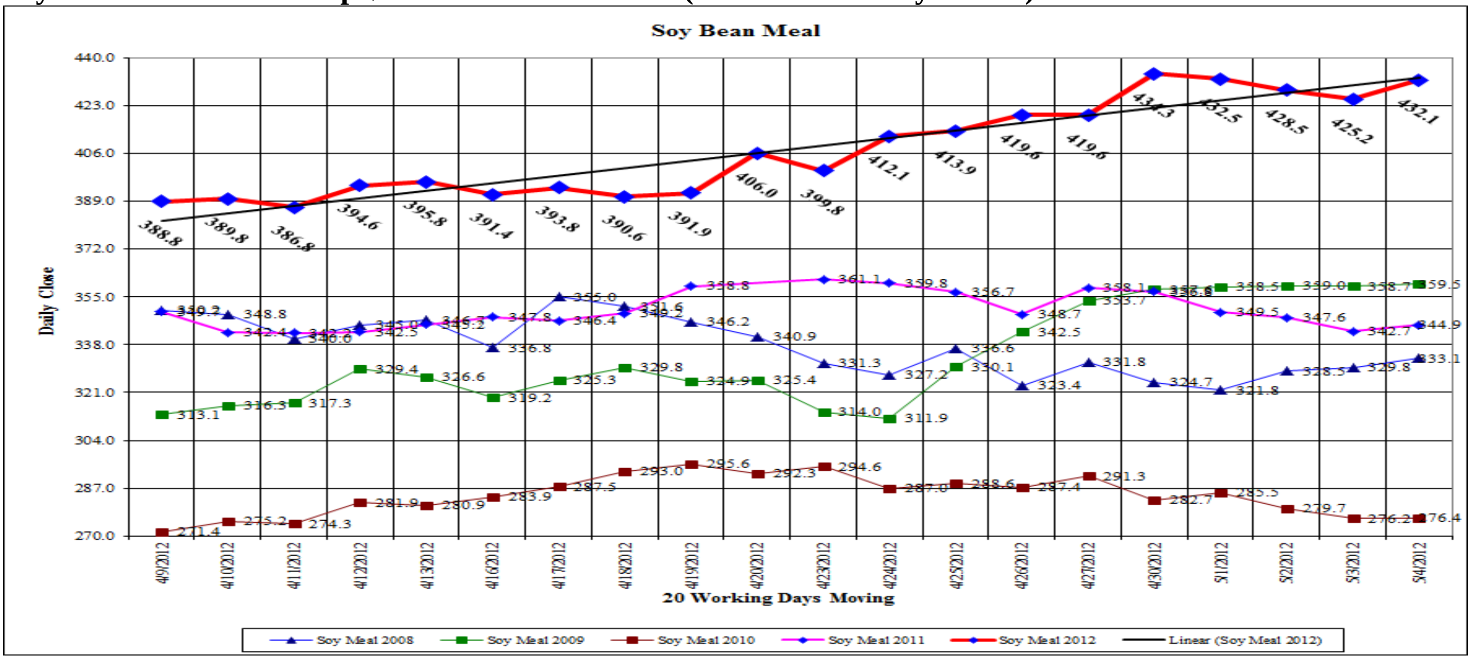
Soy Meal

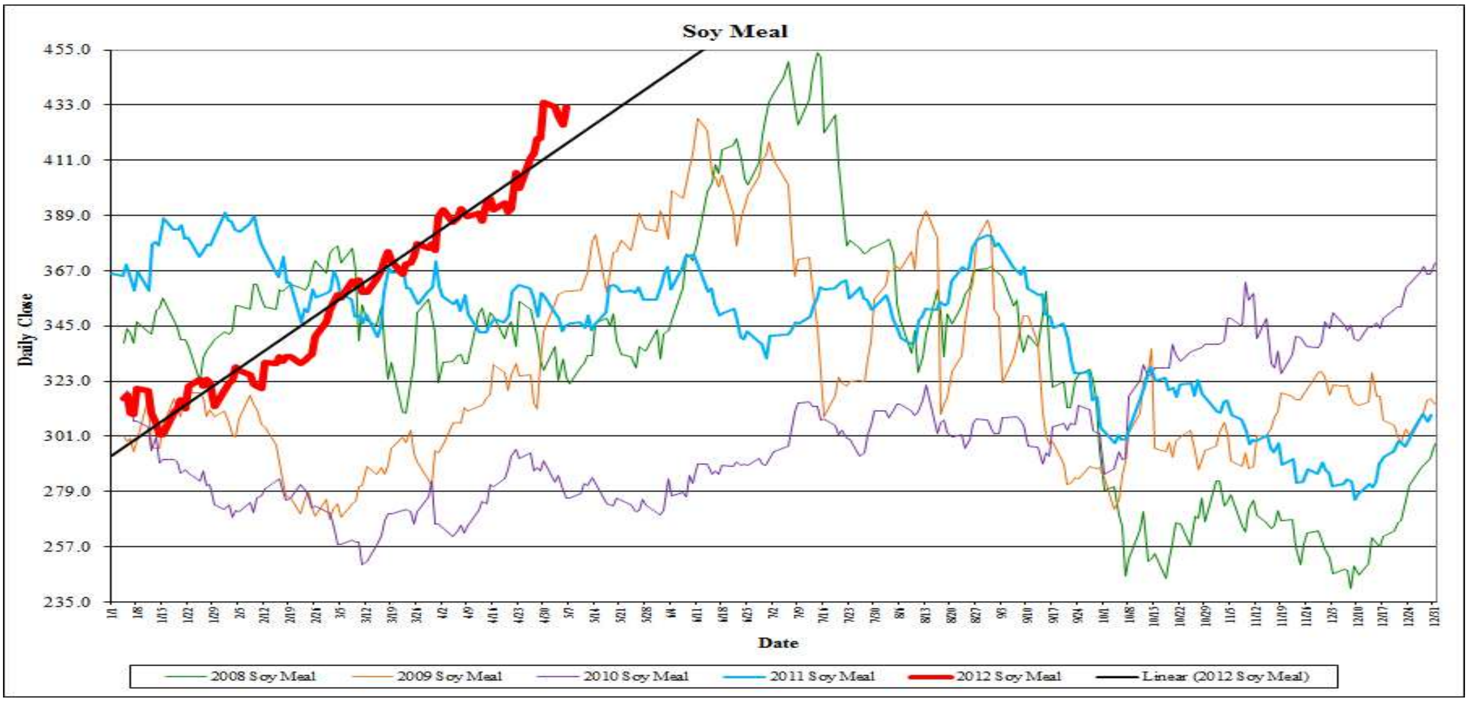
This week's meal market put in a stronger performance again this week, in contrast with other markets. Major supportive inputs included commercial buying, strength in the overnight Chinese market and 0 deliveries against the May soy meal futures market. Major negative inputs included fund selling, weakness in soybeans/corn/wheat, strength in the U.S. dollar; traders who bought oil/sold meal, limited consumer buying interest after the recent rally and ideas that prices are overbought and in need of downside correction.

The July soy meal market put in a weak technical performance as prices opened steady, failed early attempts to rally, closed lower and near the lows of the weekly trading range.

Soybean meal exports were 1.14 mmt's versus 1.25 mmt's last year although the meal export market strengthened lately. The strong soybean meal market has taken some upward pressure off soybean oil basis values.

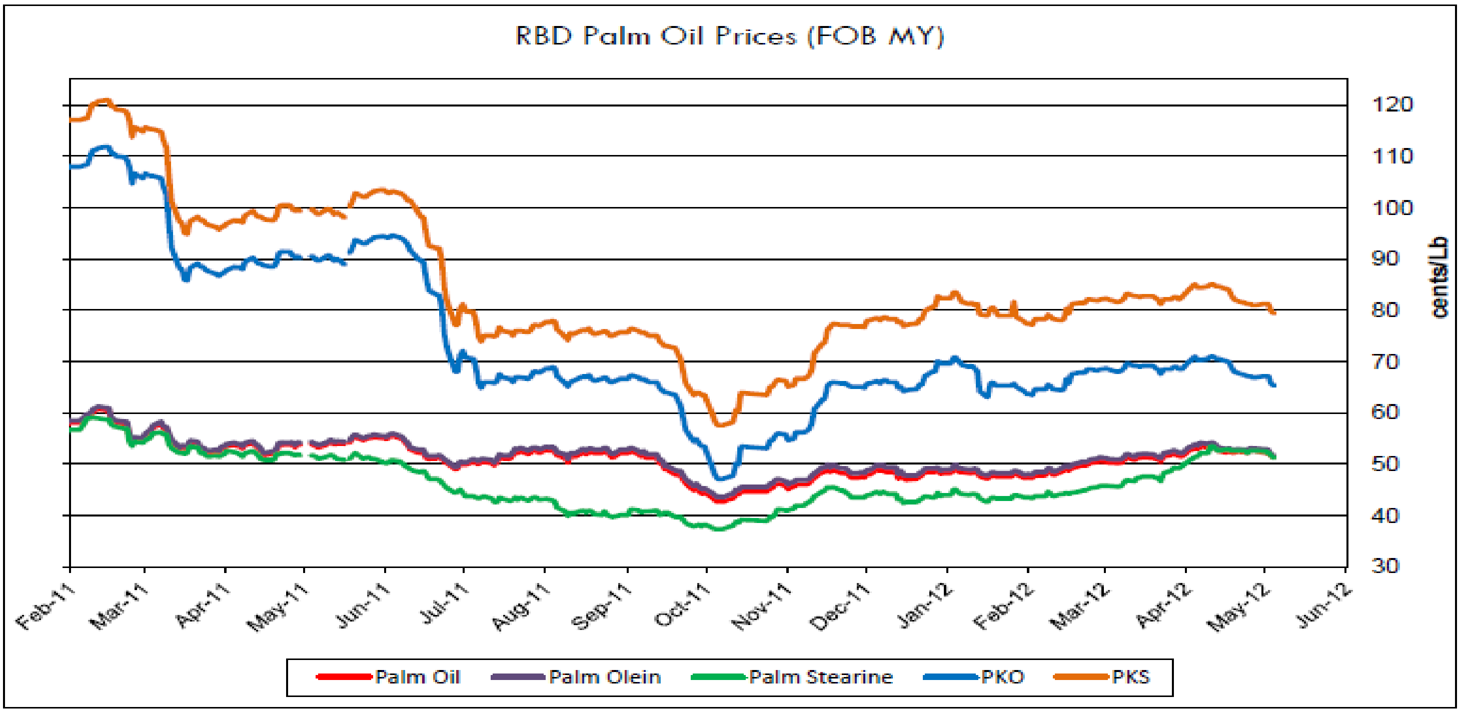
Soy meal futures closed up $12.50/ton for the week (versus last Friday's close).



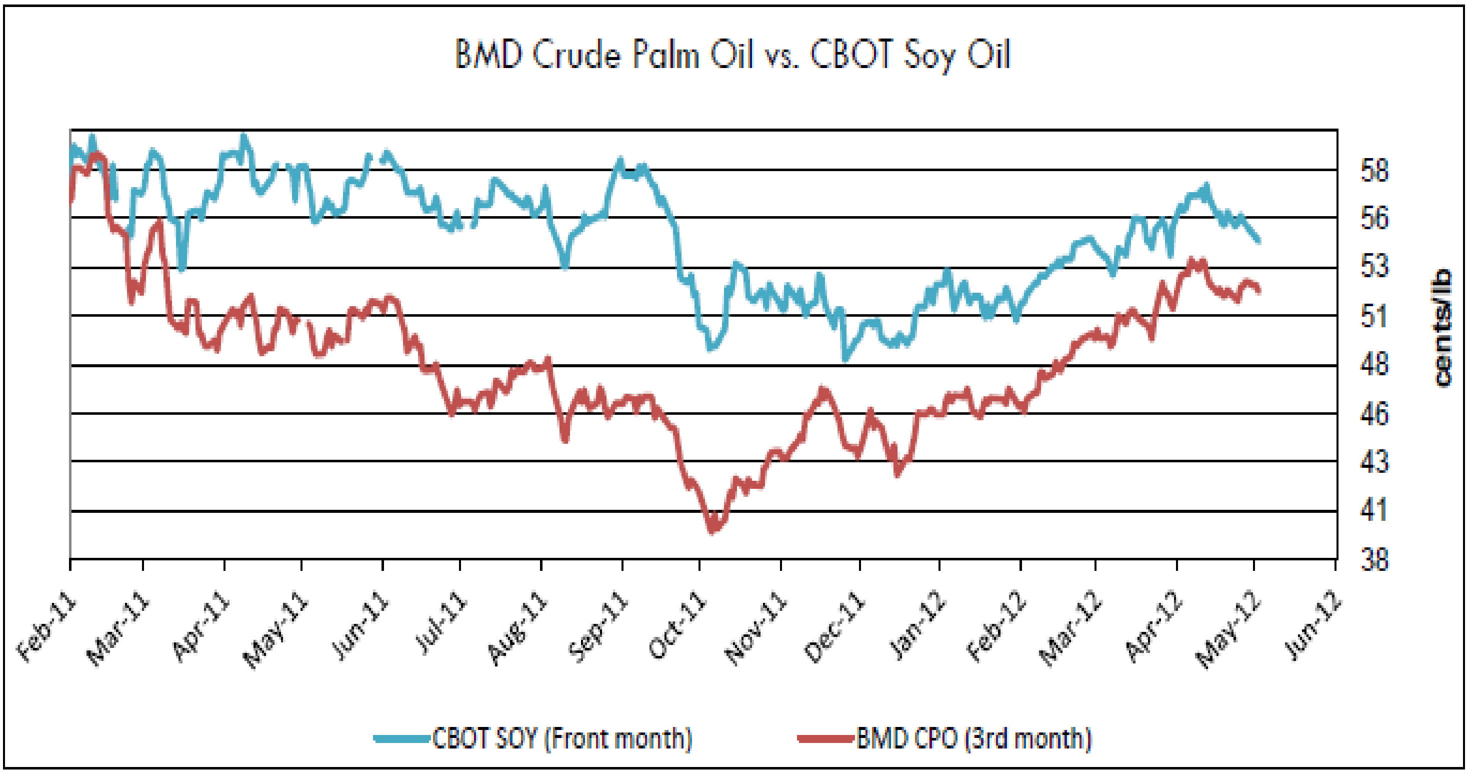


Palm Oil

Malaysian palm oil futures ended lower touching a six-week low at 3,335 ringgit—the steepest weekly loss since November, as investors remain worried about the health of the global economy. Poor job data released Friday confirms those worries. Even though strong factory activity data from the U.S. signaled the world's biggest economy was on a recovery track, palm investors are looking at other cues in a market that has traded in a tight range for two weeks. Benchmark July palm oil futures inched down 19 ringgit to close at 3,452 ringgit ($1,140) per ton. The focus for palm oil has now shifted to production, which is expected to be pick up in April compared to a month ago.



(Graph source: Loders Croklaan)



(Graph source: Loders Croklaan)

Energy Markets
Notice that nearby gasoline futures have been in the grasp of a meaningful decline from its March 29 high at $3.45/gal into today at $3.04. With weekly RSI pointed straight down, suggesting more weakness directly ahead, gasoline points towards an approaching confrontation with its rising 40-week (200 Day) moving average, now at $2.99. This needs to contain the selling pressure to avert downside acceleration towards a test of the major support line at $2.69 off of the December 2008 low ($0.79). Who cares? Well, supposedly we are entering prime vacation driving season, when demand should increase -- that is, if the underlying economy is relatively robust. But is it? The most recent data points have been suspect.

Last month it wasn't clear whether the markets were still searching for the bottom. This month it might be fair to question whether the market found the bottom providing us with a healthy bounce. As evident in this report, most major indices are up over the past month, but many are pointing to this uptick as more of an aberration than any sign of a growing trend. Natural gas prices shot up over the past month with the NYMEX 12 month strip coming in at approximately $2.97 per MMBtu and the prompt month increasing by more than 10% positioning itself at $2.37 per MMBtu. The number of rigs drilling for dry gas dropped over the past week to its lowest level in ten years. However, natural gas production from shale plays and associated wet well drilling (i.e., oil & NGL) are expected to maintain the current supply glut thus depressing pricing.

WTI oil prices posted a slight gain over the past month increasing by less than 1%. The market certainly seems somewhat unsure of itself over the past several weeks with traders straining their tea leaves to see whether prices are going to skyrocket on Middle East tensions or plummet on continued recessionary news coming out of Europe.

With the exception of the Northeast showing a modest decline, most electricity markets recorded increases over the past month. In an effort to spur more generation investment in the ERCOT region, the Public Utility Commission of Texas last month approved increasing the system wide offer cap from $3,000 per MWh to $4,500 per MWh effective August 1st. The Commission also approved raising the cap to $5,000 per MWh in 2013, $7,000 per MWh in 2014 and as high as $9,000 per MWh in 2015. They are also considering raising the cap to as much as $15,000 per MWh after 2015. This move should certainly create more investment in generation, however, consumers could also see higher pricing should Texas experience the kind of summer it did in 2011 in the coming years.

Natural Gas Market
Reflecting a generally oversold market, unseasonably cold weather in the Northeast and promises of more production cuts, the May contract bounced off 10 year lows to settle at the still historically low price of $2.036. Prices on Monday rose after it was reported that the U.S. produced 0.6% less in February than it did in January. February's production was still 9.4% greater than February 2011; maintaining 2011 production levels would threaten storage capacity. The number of rigs drilling for dry gas dropped again last week to its lowest level in ten years. However, the gas production associated with wet wells drilling for oil and NGLs is expected to maintain the supply glut. One of the strongest bull arguments for natural gas prices has been electricity generators' coal-to-gas switching in the face of low gas prices. With the share of power generated by burning coal expected to drop another 2% this year, it appears that significant switching has occurred. The degree to which this can continue to occur in the meantime, however, is a question. Appalachian coal prices have declined 24% over the past 12 months, putting in question the economic viability in switching. A driver of gas prices last spring was a series of nuclear outages throughout the country, at least partially due to flooding in the Midwest, which totaled 31,000 MW offline versus the five year average of 22,600 MW. This year, spring nuclear outages are running about 21,900 MW.

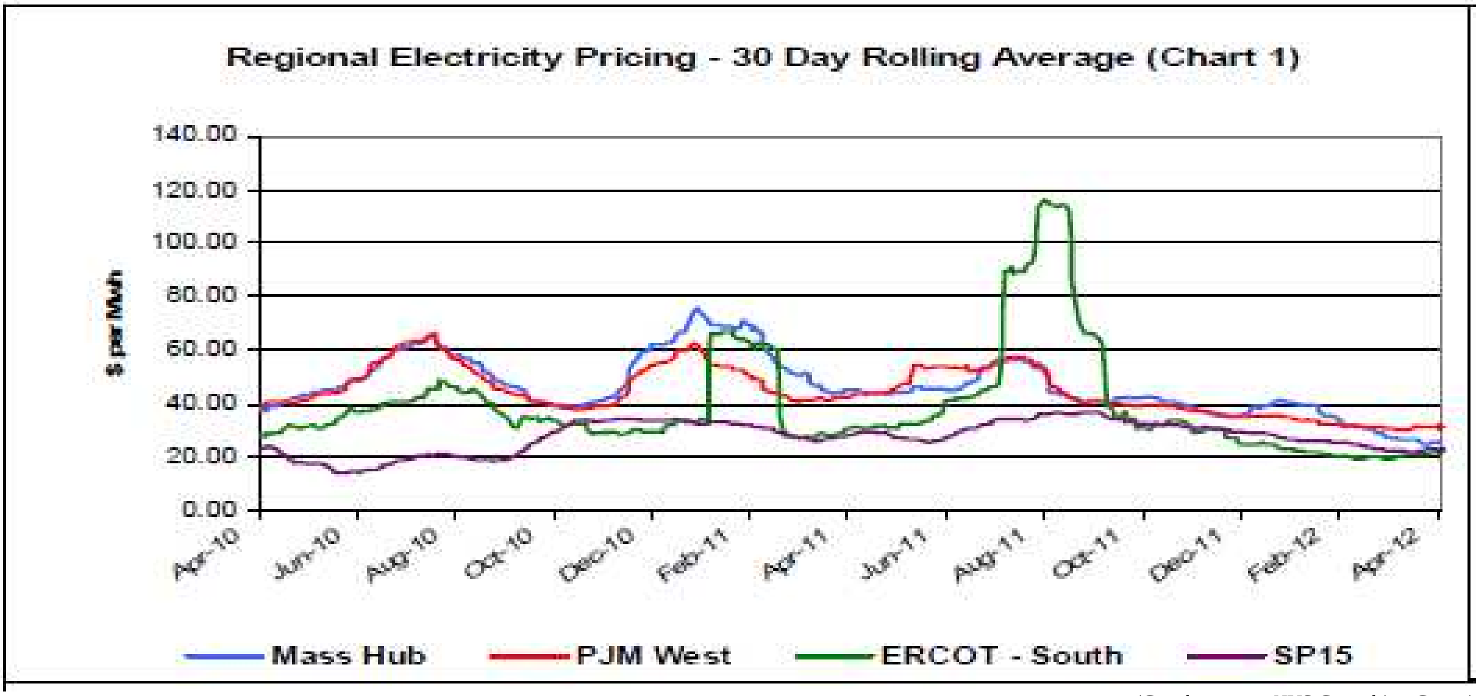
Monday delivered two pieces of weak economic data: the Dallas Fed Manufacturing Survey and the Chicago PMI both disappointed, pointing to weakness in the domestic economy. Last week, it was reported that both the UK and Spain are again in technical recession.

Expect the fundamentals for gas remaining weak, even with trading momentum improving. Buyers completely exposed to the market may want to reduce some risk in the near term, but should avoid paying too high a premium for any gas in 2012. Look for price appreciation in the near term to be blunted by shorts taking fresh positions.

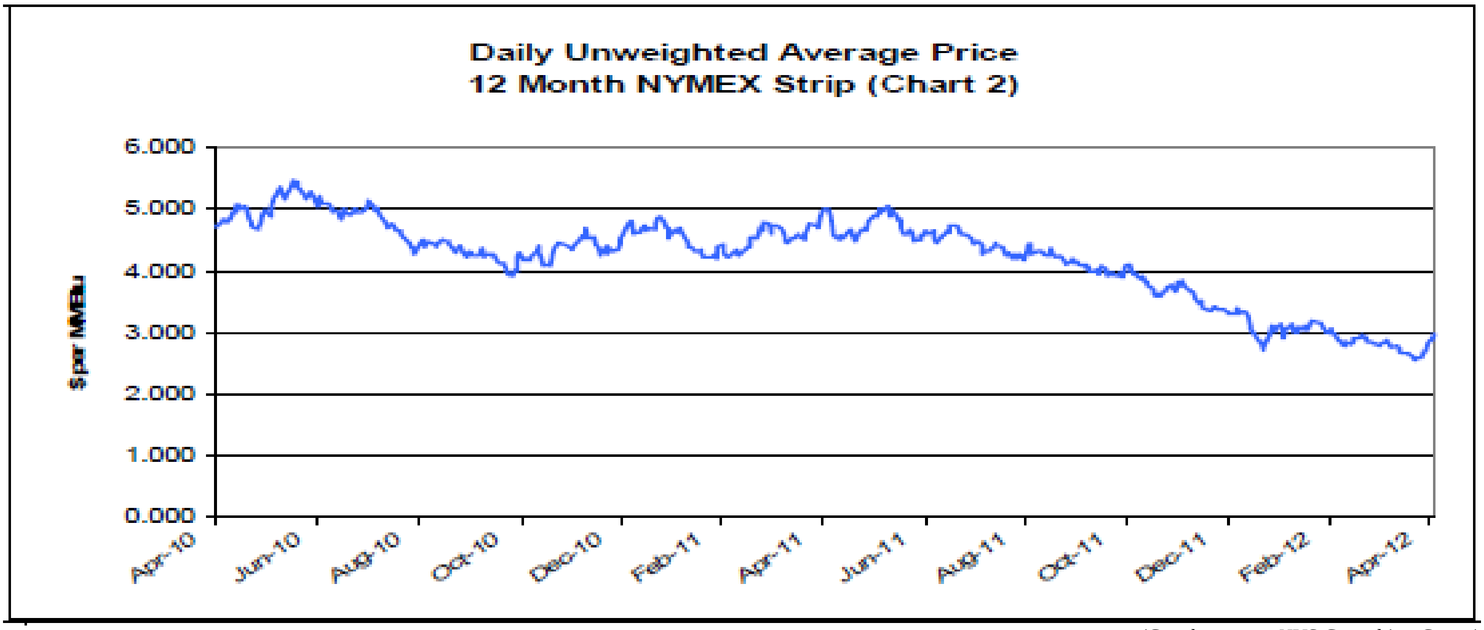
Key Pricing Indicators – Commodity Prices:

	2 April 2012	1 May 2012	% Change	
Electricity - East (MA Hub)	$27.42 per MWh	$25.90 per MWh	-5.5%	↓
Electricity - Central (PJM West)	$30.75 per MWh	$31.68 per MWh	3.0%	↑
Electricity - South (ERCOT)	$19.76 per MWh	$21.80 per MWh	10.3%	↑
Electricity - West (SP15)	$22.60 per MWh	$22.91 per MWh	1.4%	↑
NYMEX 12 Month Strip	$2.852 per MMBtu	$2.969 per MMBtu	4.1%	↑
WTI (Prompt Month)	$105.23 per bbl	$106.16 per bbl	0.9%	↑
NYMEX (Prompt Month)	$2.152 per MMBtu	$2.371 per MMBtu	10.2%	↑

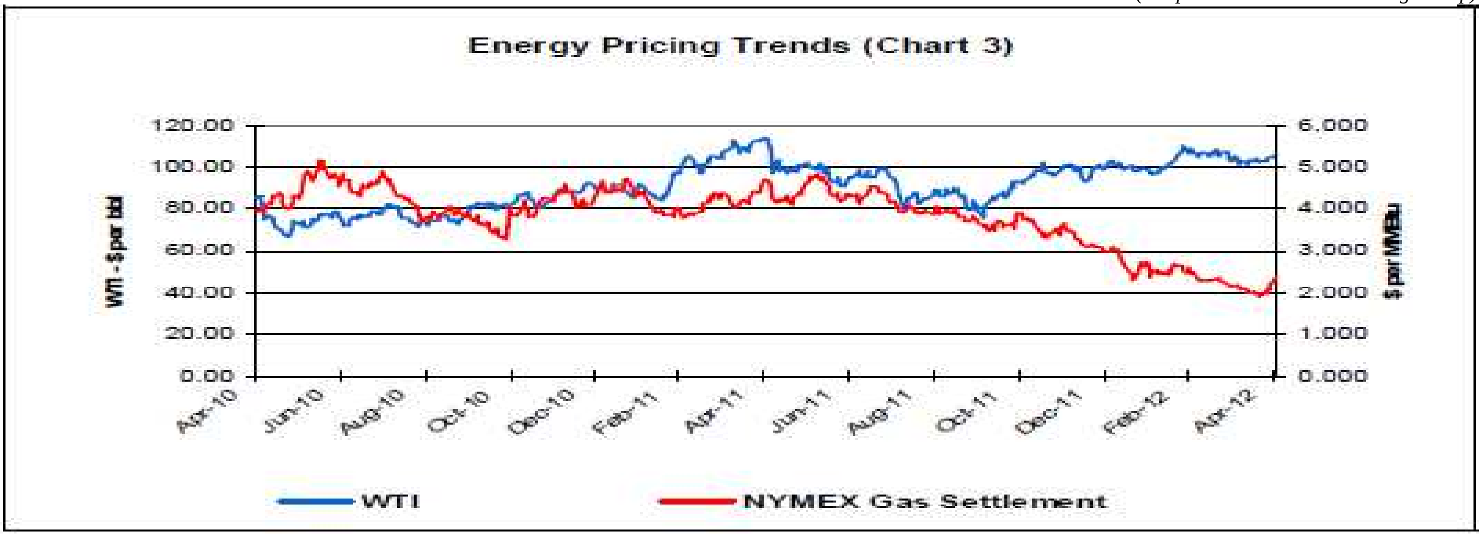
(Chart source: NUS Consulting Group)



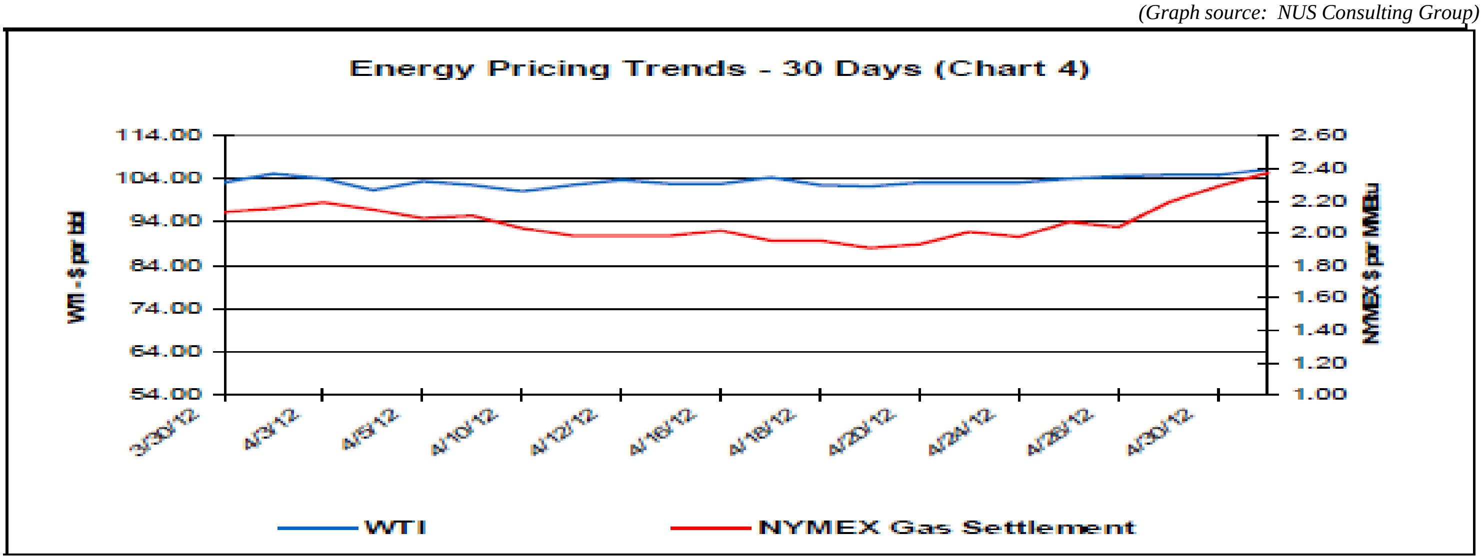
(Graph source: NUS Consulting Group)



(Graph source: NUS Consulting Group)



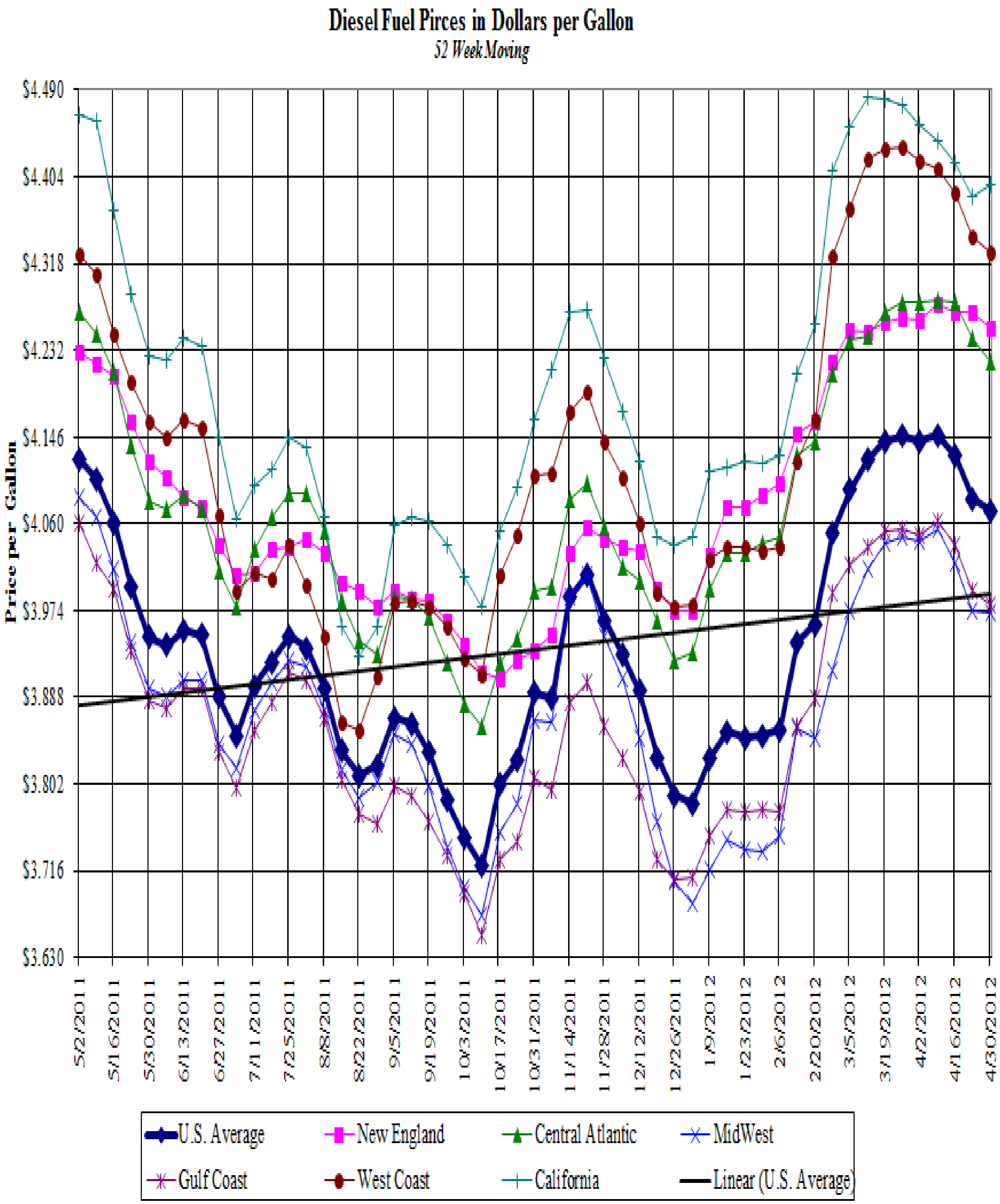
(Graph source: NUS Consulting Group)



(Graph source: NUS Consulting Group)

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
5/2/2011	$4.1240	$4.1280	$4.2310	$4.2690	$4.0590	$4.0860	$4.0600	$4.1560	$4.3280	$4.4650
5/9/2011	$4.1040	$4.1170	$4.2180	$4.2480	$4.0520	$4.0660	$4.0220	$4.1560	$4.3070	$4.4590
5/16/2011	$4.0610	$4.0750	$4.2070	$4.2100	$4.0050	$4.0150	$3.9960	$4.1340	$4.2480	$4.3710
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



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
5/2/2011
5/16/2011
5/30/2011
6/13/2011
6/27/2011
7/11/2011
7/25/2011
8/8/2011
8/22/2011
9/5/2011
9/19/2011
10/3/2011
10/17/2011
10/31/2011
11/14/2011
11/28/2011
12/12/2011
12/26/2011
1/9/2012
1/23/2012
2/6/2012
2/20/2012
3/5/2012
3/19/2012
4/2/2012
4/16/2012
4/30/2012
U.S. Average
New England
Central Atlantic
MidWest
Gulf Coast
West Coast
California
Linear (U.S. Average)

Fruits/Nut Markets

***Blueberries*—US (FL): Some growers see fewer blueberries this season**
A mild winter that brought fewer chill hours this year is cited as the reason for low volumes of blueberries in Florida. With production last year already about 15% more than normal years, the drop in volume this year seems especially pronounced. Growers expect this season's volume to be off about 40% from last year. The reason for the drop has been a mild winter. Florida just didn't get enough chill hours this winter. But those low volumes haven't affected quality, and lower quantities have brought prices up. The market is steady right now with prices considerably higher than last year due to lower volumes.

***Peaches*—US: Sweet Georgia peach season launches**
Sweet Georgia Peaches will soon arrive in supermarkets, heralding the growing season that runs from mid-May to mid-August. This year, consumers in Georgia and Florida will be greeted with an updated public relations, advertising and social media campaign featuring the catch phrase, ”Georgia Peaches, All Kinds of Sweet." "A recent Perishables Group survey suggests that over 80% of respondents preferred Georgia Peaches to peaches grown in other states," says Duke Lane, III, chairman of the Georgia Peach Council. "This campaign evokes a summertime feel with bright colors and witty phrases. We think it's a fun way to encourage consumers to reach for delicious, juicy Georgia Peaches." Eye-catching billboards with the "All Kinds of Sweet" message will appear throughout Georgia, while consumers in the targeted Florida markets of Tampa and Orlando will see billboards that read, "Georgia Peaches - Our Way of Saying Thanks for the Oranges." To highlight the message in Florida, surprise "Sweet on the Street" deliveries of the flavorful fruit will target people with the most stressful jobs in Orlando and Tampa, including police officers, firefighters, taxi drivers and journalists, in an effort to sweeten their day. In the Atlanta, Georgia area, consumers will encounter street tastings and the Peach Council will have a presence at the Peachtree Road Race, a popular July 4th event. The Georgia Peach Council will step up its social media strategy with a revamped Facebook page and the use of popular food bloggers to enhance the "All Kinds of Sweet" message. Georgia native Gena Knox, author of Southern My Way: Simple Recipes, Fresh Flavors, will again share her delicious recipes during on-air cooking segments highlighting summer's quintessential fruit. The council is utilizing the talents of its long-time public relations firm, At the Table PR (formerly Sahlman Williams), to handle the PR campaign. The firm has represented the Georgia Peach Council for 15 years, and also works with other Georgia agriculture clients, including the Georgia Blueberry Commission, and the Georgia Pecan Commission. Iris Advertising of Atlanta, Georgia created the Peach Council's advertising campaign. The two agencies are working in tandem on social media efforts for Georgia Peaches.

***Almonds*—US (CA): Almond forecast down slightly from last year**
The latest production forecast for California's almond crop has 2012 production down from last year's totals. But while this year's forecast is less than last year's, it is only slightly lower than 2011's record yields. The U.S.D.A. production forecast for 2012 is 2.00 billion pounds, slightly down from last year's 2.03 billion pounds. The 1.5% dip is not significant considering the size of last year's crop, and while 2012 production is anticipated to be below 2011's totals, it is still 360 million pounds more than 2010's production of 1.64 billion pounds. Yield is also expected to be less than 2011's mark of 2,670 pounds per acre. 2012's yield is forecast at 2,560 pounds per acre, a 4% decrease from last year. While it was reported that frost in March and hail in April affected orchards in southern San Joaquin Valley and Merced County, damage was characterized as spotty and was not widespread. February weather created favorable bloom conditions while low disease and insect pressure was reported.