

Weekly Commodity Markets Review

From: Joe Schmidt

Date: March 23, 2012

End of month liquidation and pre-positioning heading into the March 30th report is now the focus of trade. Key to how strong these markets are is how low we go on the adjustment. Markets this week featured some good buying activity.

In the U.S., the market is turning its attention to spring weather, due to the dry winter the Midwest could use some decent rain events heading into the planting season. There's currently a system moving across the central and eastern corn belt that should deliver ¼-¾" amounts over the weekend. Record warmth continues across the corn belt - unheard of history making warmth. Big rains from Texas to Minnesota are finally moving east today and sliding into the Ohio valley. These rains were extremely beneficial coming into areas that have been in drought conditions for some time - great way to start the crop year.... If we can bypass a freeze in April (in the MN and the Dakotas the chance of freeze is particularly true), the market will probably let go of a lot of its angst. For now, the acreage battle continues.

The trade is also waiting for direction from next Friday's Planting Intentions report. Tight world bean supplies, tied to the hot dry conditions that plagued Argentina and Southern Brazil for much of their growing season has emphasized the need for larger U.S. soybean acreage this year. An acreage number less than 76.0 mil will result in price rationing for the 2012/2013 crop.

Flour Markets:

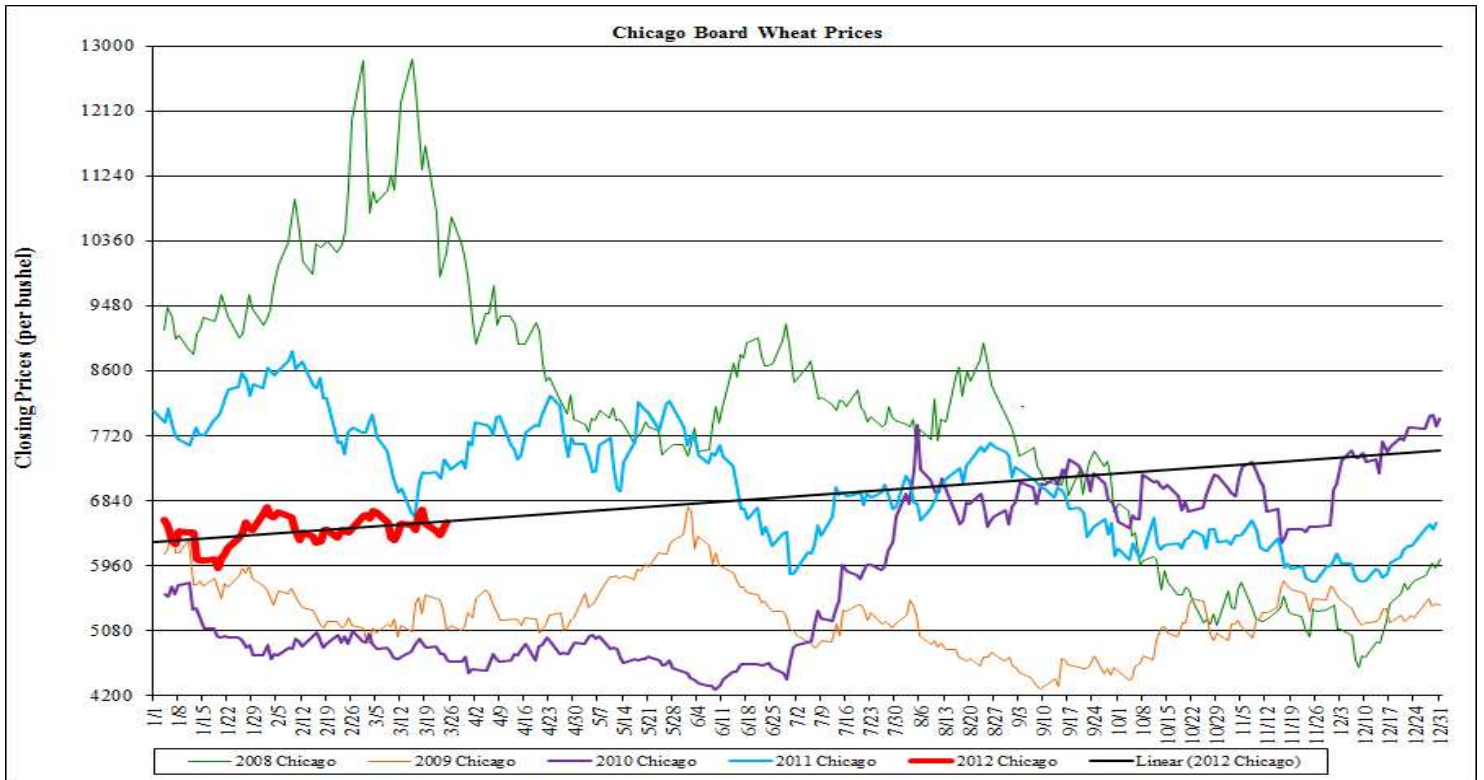
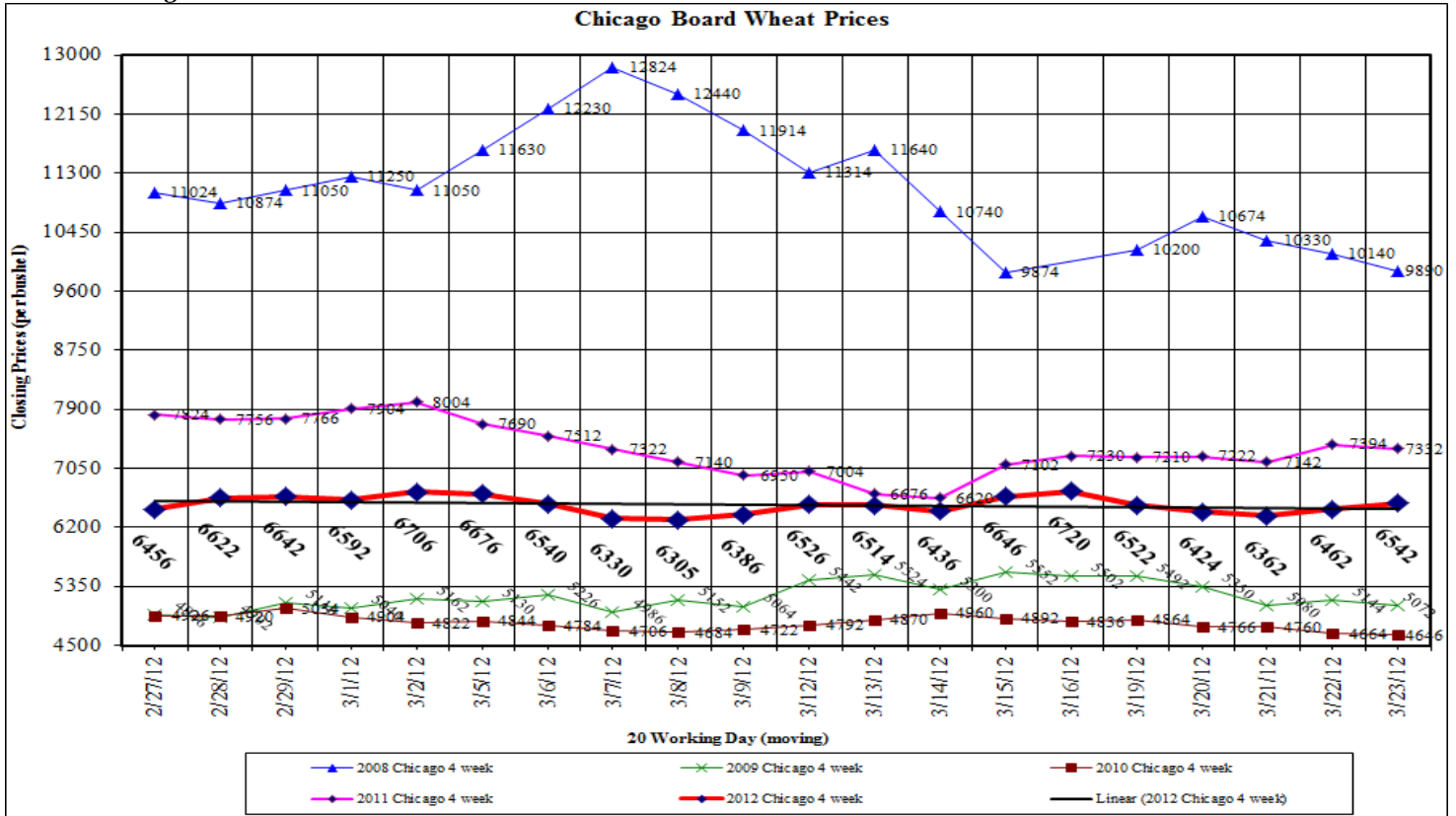
Wheat futures were lower the first three days of the week, but staged a slight correction by week's end (although still closing lower for the week). Spring wheat basis was up this week as the premiums on winter wheat remained steady. Domestic spring wheat demand was constrained by some mills substituting less expensive winter wheat with equivalent protein whenever possible. U.S. winter wheat crop progress is significantly ahead of schedule. Some U.S. spring wheat producers have begun planting several weeks early due to warm temps and available moisture for germination. Crop yields have the potential to be very high this year if weather remains favorable with added moisture and no freeze threat. U.S.D.A. will release the prospective plantings report on March 30th, which will give us a better idea of the intended spring wheat acre plantings. U.S. wheat exports on the week ending March 15th were up 85% from previous week and up 16% from the 4 week average, increasing futures prices. Wheat is also following the general trend for weaker commodity markets.

Wheat stocks at select export elevators and terminals were down 2.414 million bushels from the previous week. Russia announced they will not limit wheat exports and the ag minister there thinks they could reach 27 MMT. That's provided Russian quality and price can compete with the U.S. There have been issues with quality in the past and right now U.S. wheat is some of the least expensive on the global market. Weekly export inspections through March 15 were 20.982 million bushels, which lagged both the strong 31.7 million from last week and the 26 million for this week in 2011.

Good weather is pressuring wheat market—over the next 10 days the forecast is calling for much above temperatures and significant rainfall. Heavy rains are in the forecast for the next 8 to 14 days bringing much needed moisture (and some unwanted flooding) to the winter wheat growing region. The forecasts for heavy rains were seen as beneficial to the winter wheat crop, allowing for localized flooding and/or hail damage that is usually associated with big spring time storms. One of the concerns is heavy rains in eastern Plains and potential for flooding.

The Texas state crop report showed improved wheat conditions, with 38% rated poor/very poor and 34% rated good/excellent. The ratings index rose to 56 (0-100 scale) versus 40 last year at this time. Kansas reported 12% of the crop jointed, versus 6% average for this date. Condition in KS was rated 54% good/excellent and 11% poor/very poor.

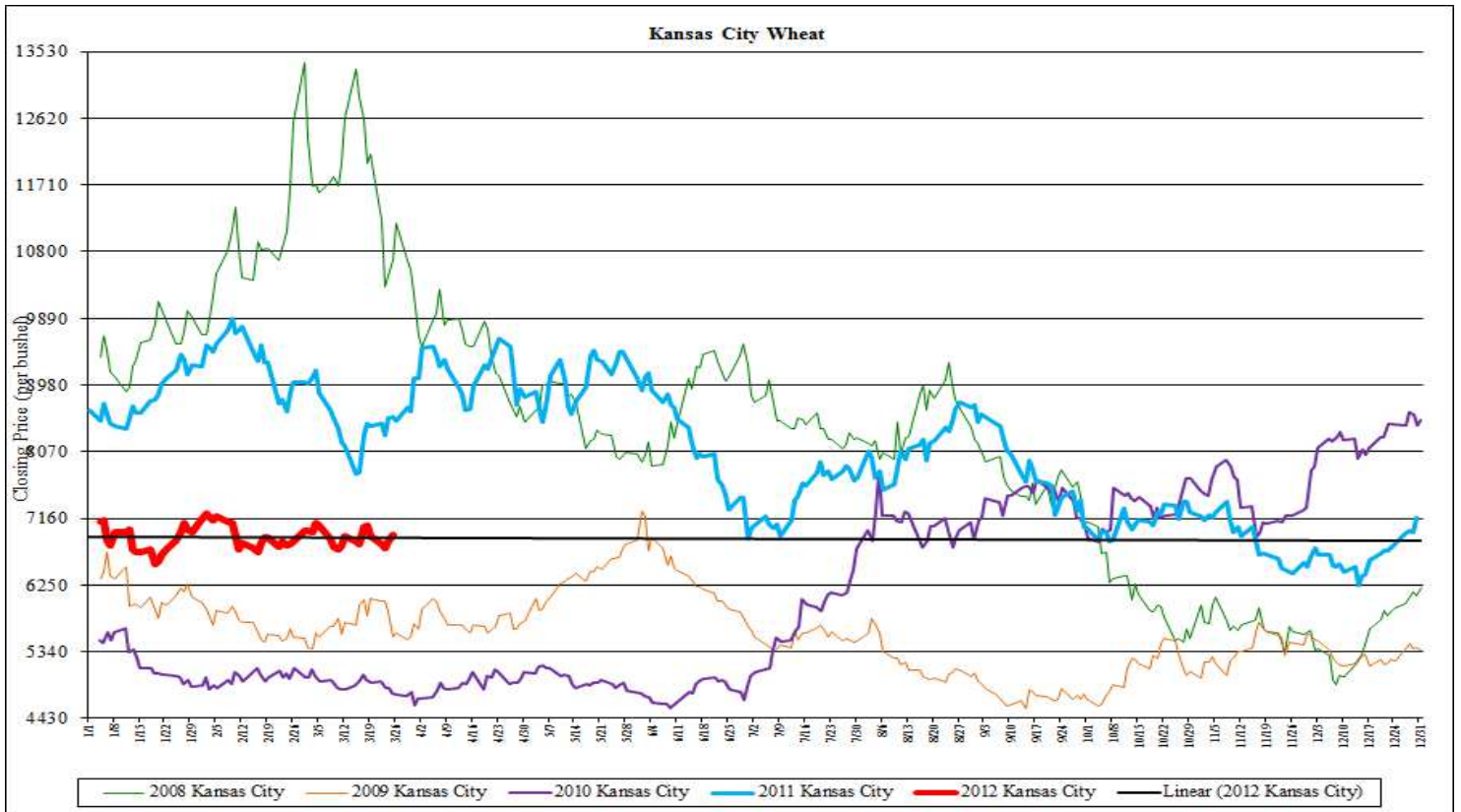
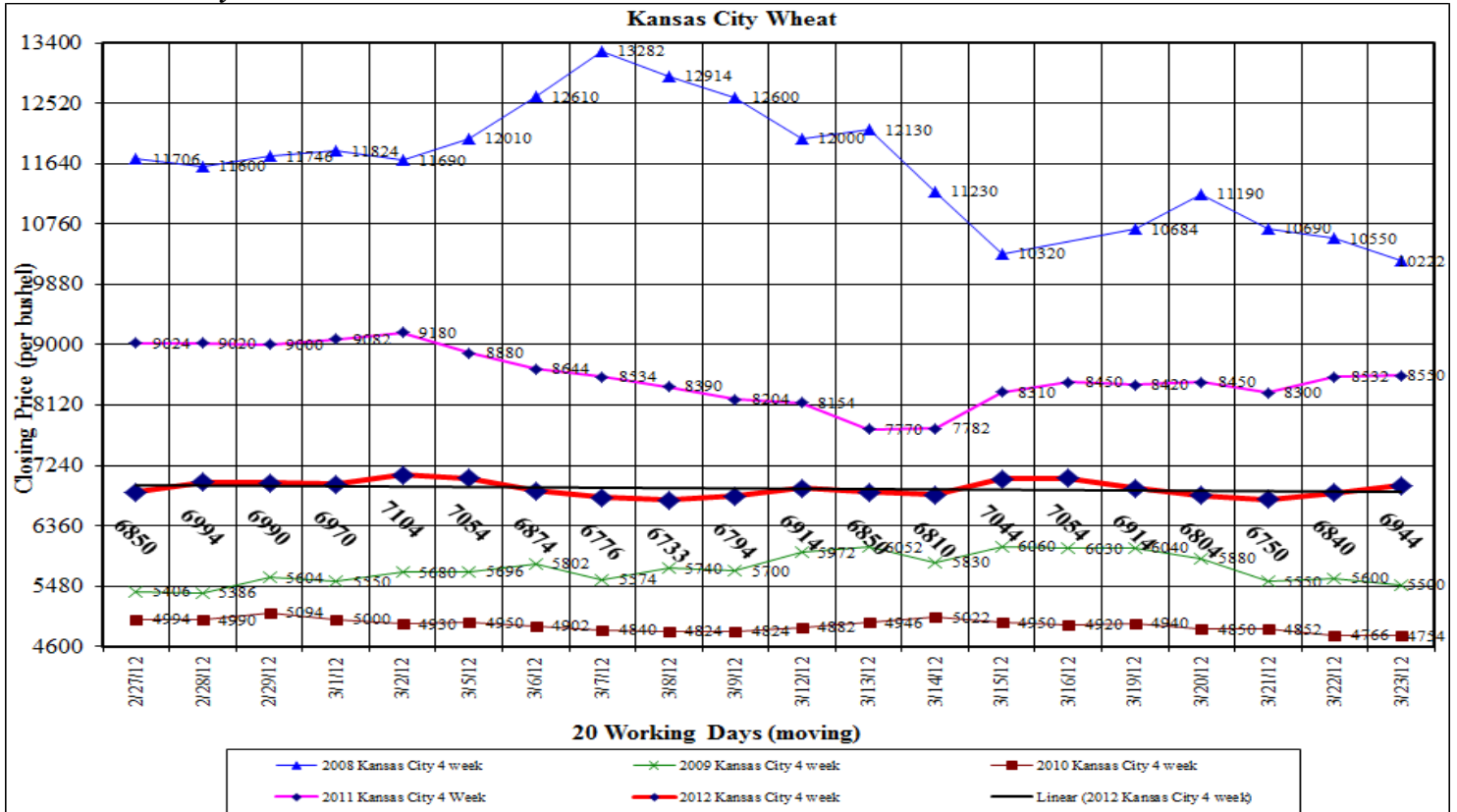
a. Chicago Board Wheat Prices



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.

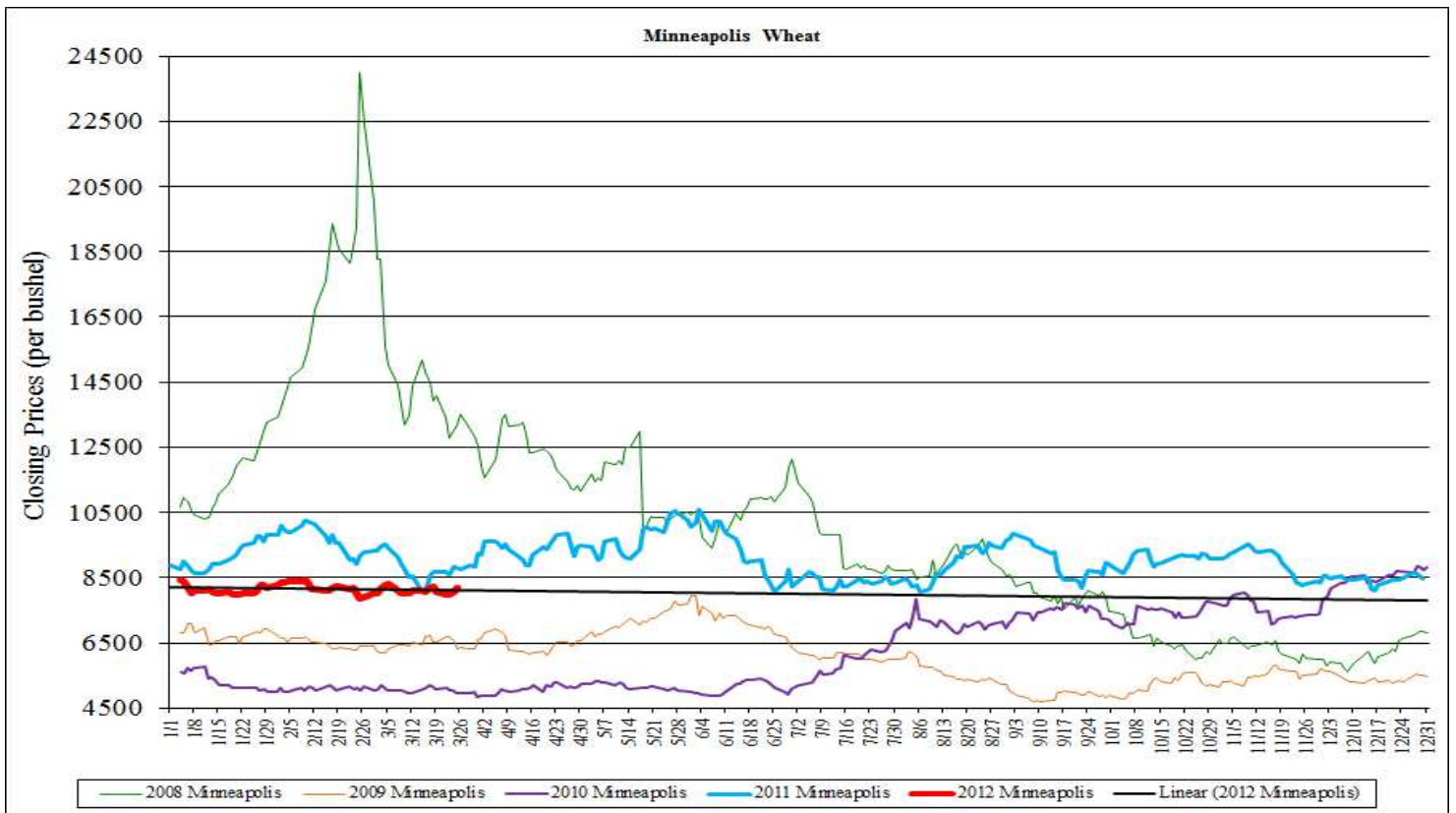
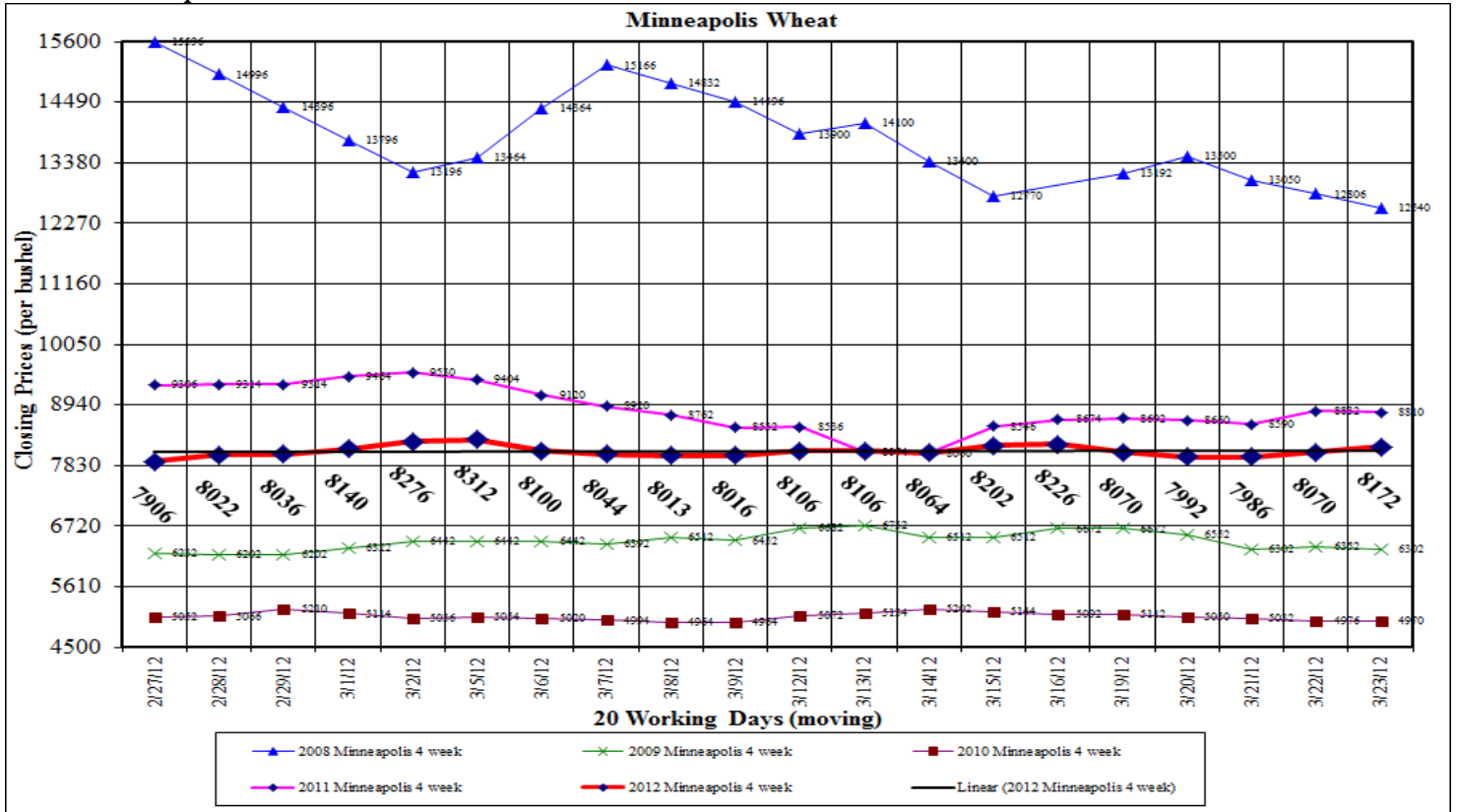
Cake and Pastry flour closed down \$0.41/cwt. from last Friday's close.

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 **\$0.25/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 \$0.12/cwt. off last Friday's close.

Shortening Market:

The U.S. soybean export market is entering a period of seasonal slowdown due to South American new crop supplies. Soybean stocks at select export elevators and terminals were down 1.709 million bushels from the previous week. Weekly U.S. soybean export inspections were 23.7 million bushels, down from 26.3 million bushels last week and below trade expectations of 30-35 million—we're into the seasonal slowdown. Cumulative shipments for the year are 958.5 million bushels, behind year ago by 286 million bushels.

The Brazilian crop gets smaller with each new assessment however and that could underpin the market. **Oil World** cut their forecast of Brazil's 2012 soybean crop by 1.5 MMT to 66.5 MMT because of the drought and a crop fungus. Global 2011/2012 import trade is currently seen 15 million bushels LARGER than last year. Of course, U.S.D.A. hasn't cut production projections that far yet. Brazilian harvest is estimated to be 58% completed, with Mato Grosso pretty much done.

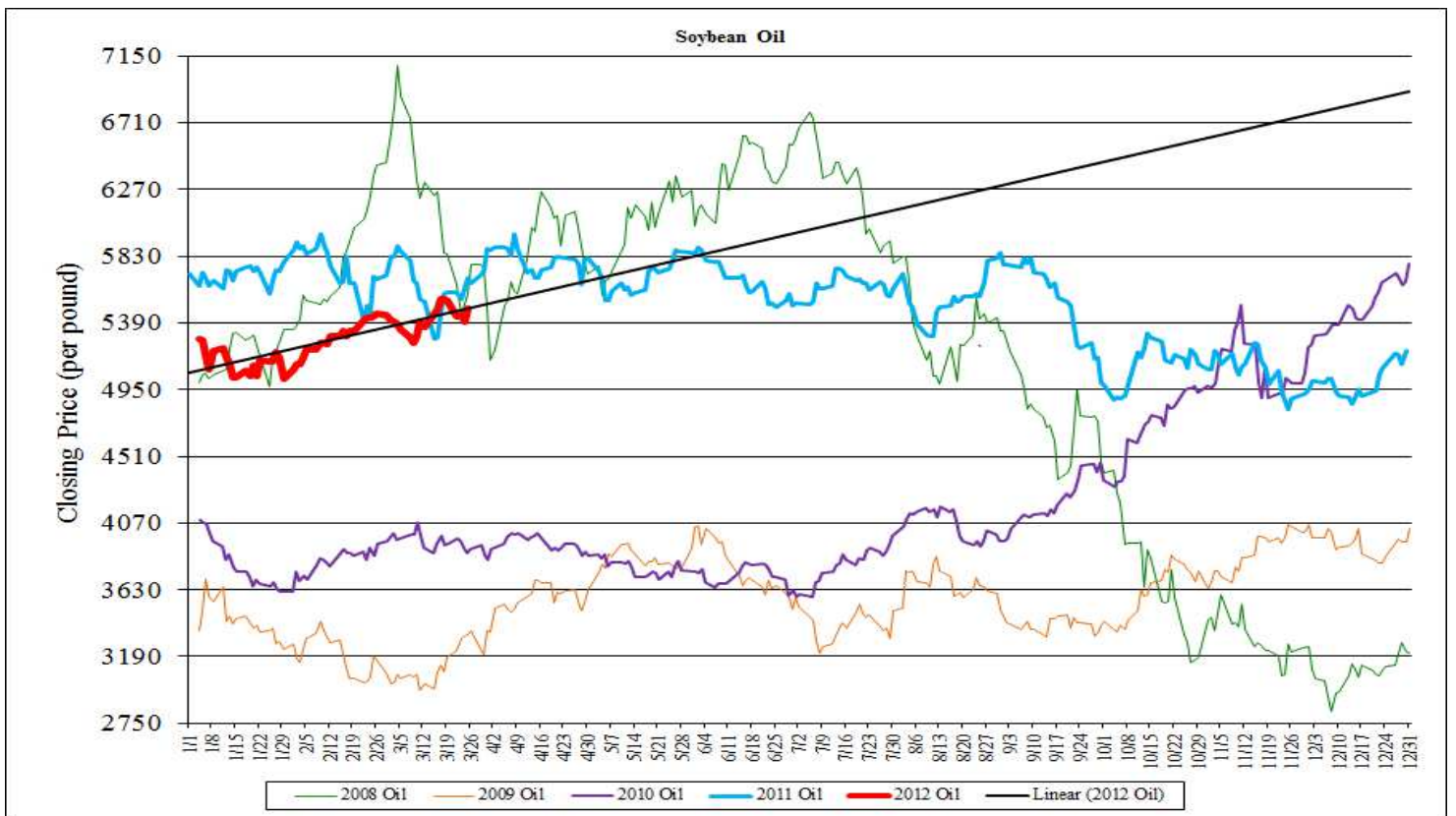
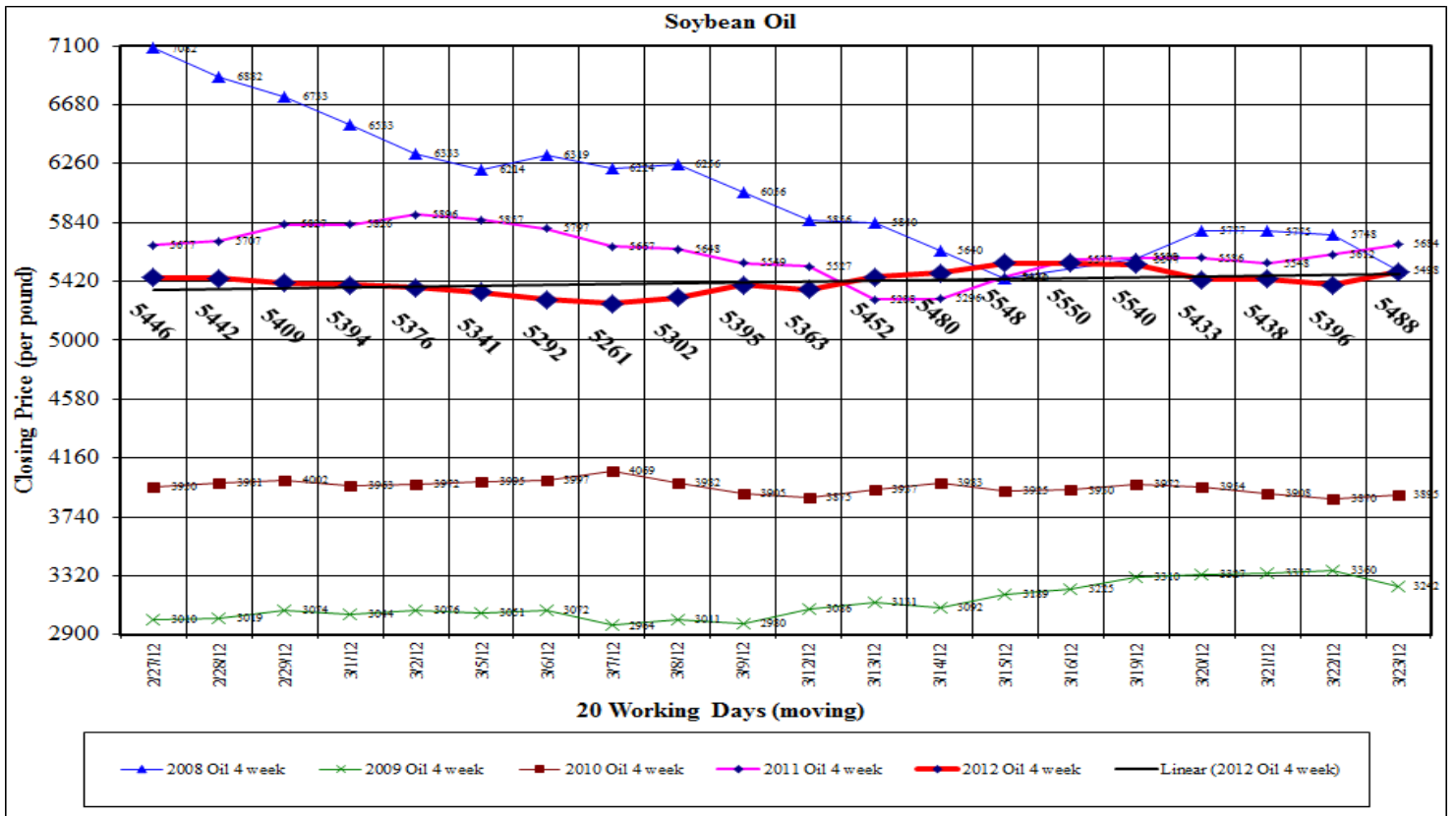
South American basis quotes have weakened, with increased farmer selling. Brazilian production is estimated to be 58% completed, with Mato Grosso pretty much done. Argentine truckers have called off their 4-day strike that slowed grain arrivals to ports. "The strike was lifted after a deal was reached. Almost all of our demands were met," the spokesperson for the truckers' union said.

Soybean and grain prices fell hard on lack of export demand and good U.S. weather. Bulls suggest farmers will plant more corn versus beans because of an early start to the season with warmer than normal temperatures. A lower U.S. dollar limited losses. Producer selling picked up after nearby futures hit recent highs late last week. The 2-week weather outlook for the U.S. Midwest is very favorable for replenishment in soil moisture supplies.

The market continues to worry over soybean planted acres...early good planting weather favors more corn acres than soybean. March 30 Prospective Planting and Grain Stock report is the next big "market maker" report from the U.S.D.A. With the reduced South American crop, unchanged U.S. planted soybean acres and an expected pick-up in U.S. exports, the 2012/2013 U.S. soybean balance sheet is expected to tighten up significantly.

Soy Bean Oil Price Outlook: May soybean oil futures have plunged but now are finding support at the \$0.5400-\$0.5450 area—setbacks are buying opportunities.

Shortening closed down \$0.33/50# cube (\$0.24/35# pail of oil, \$0.0067/lb. for bulk oil) for the week.

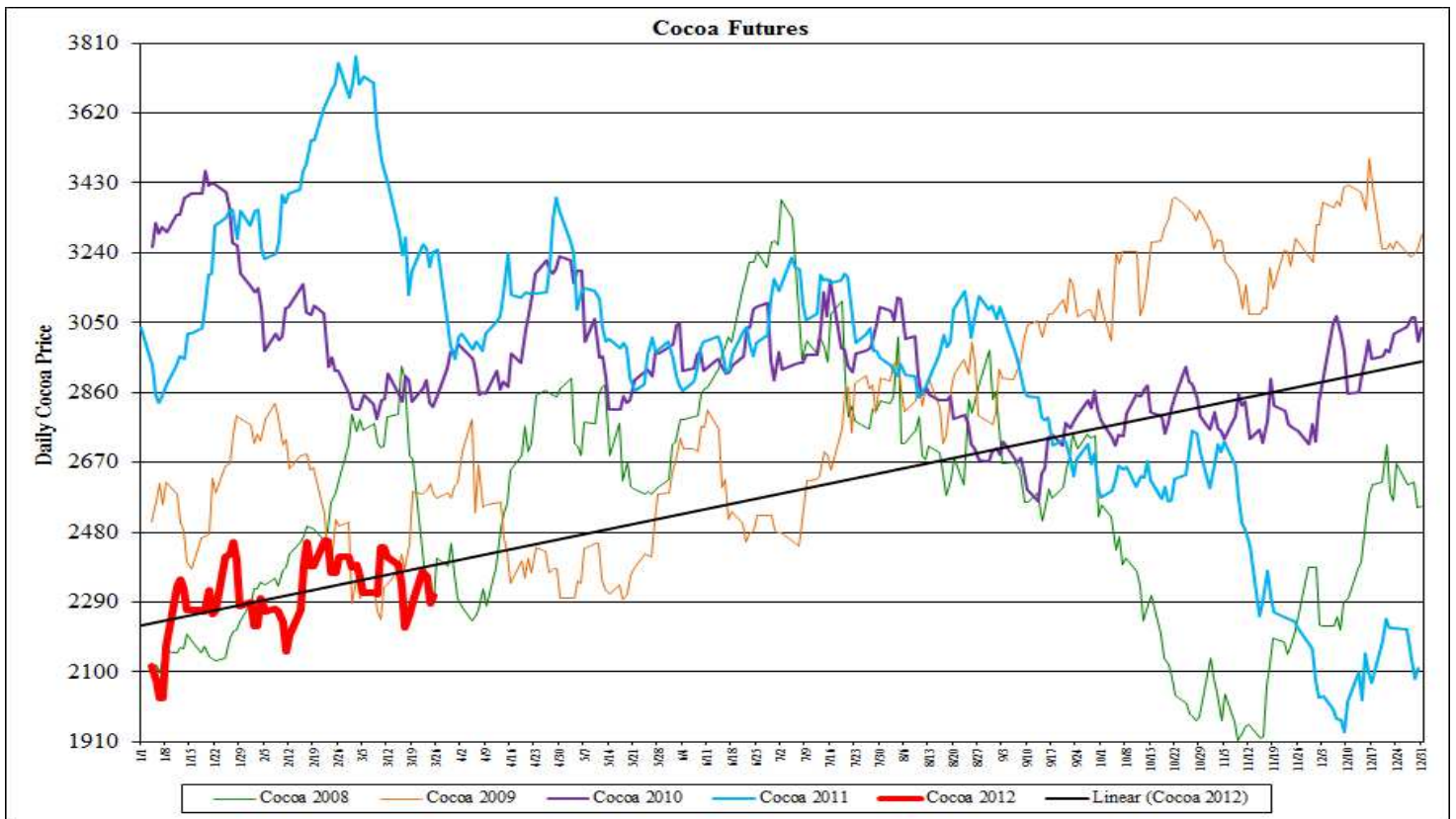
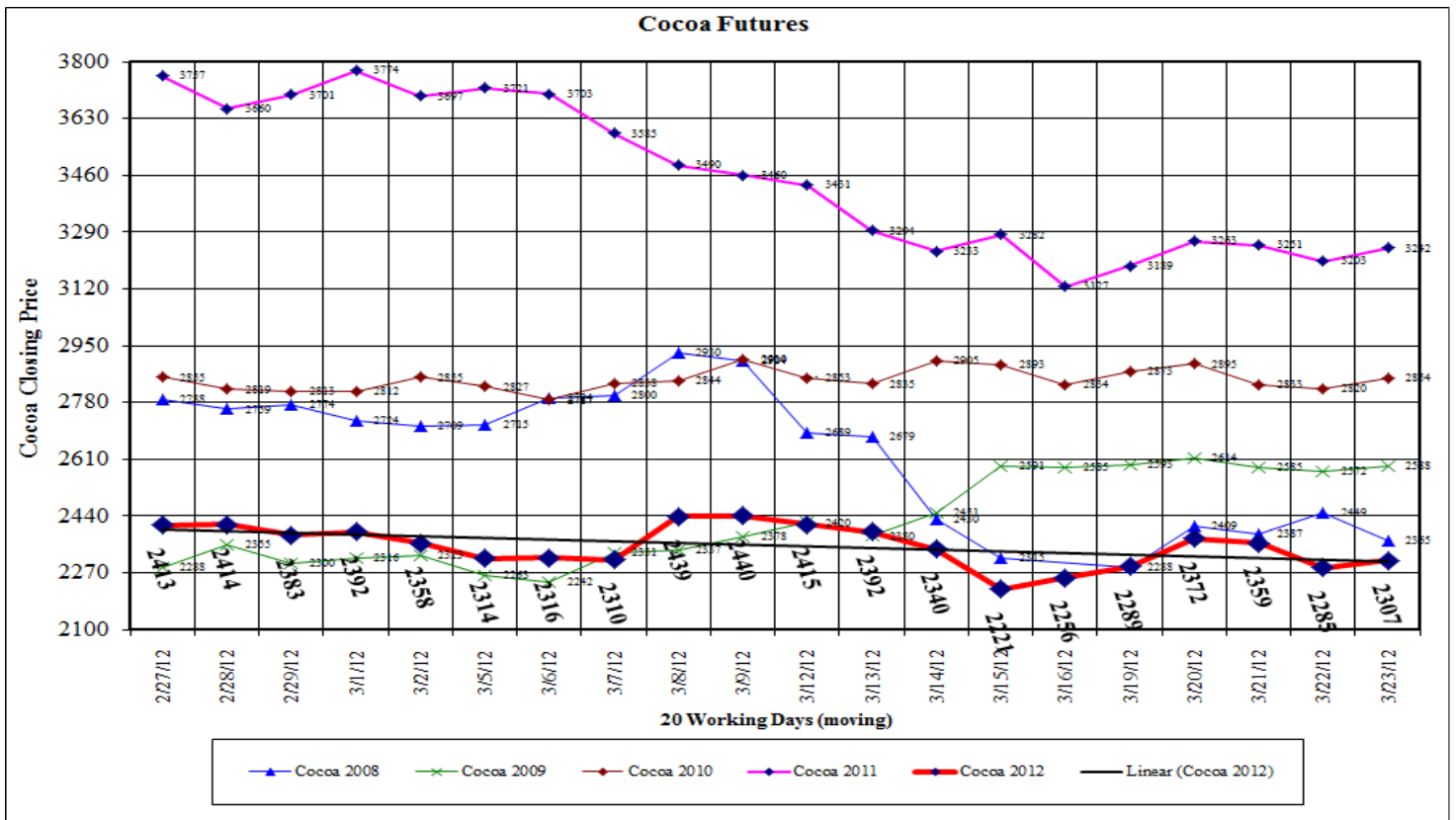


Cocoa Market:

Although with lower closes on Wednesday, Thursday and Friday, cocoa futures closed higher for the week. Lower closes at the end of the week could not offset making new nearby highs on Tuesday. Talk that the midcrop harvest had started in parts of West Africa caused selling. The market also reacted to the negative report issued by noted crop analyst Killian sending cocoa sent futures sharply lower last week, but futures moved higher after that on reports of hot and dry weather that could stress trees. Traders note that western Africa crops seem to be available. Arrivals are said to be very strong at Ivory Coast ports again, and exports are starting to increase again, too. Meanwhile, much of the demand for the holidays coming up should have passed, at least from the producer side. The auction in Ivory Coast seems to be only one spot to buy cocoa right now as sources in Nigeria and Cameroon told wire services that they expect a good mid-crop production to be harvested.

Moving into next week, mostly dry conditions are expected in West Africa. Temperatures will average near to above normal. Malaysia and Indonesia should see episodes of scattered showers. Temperatures should average near normal. ICE certified stocks are slightly higher at 4.925 million bags.

Cocoa closed up \$51.00/ton for the week (compared to last Friday's close).



Sugar Market

Futures closed higher in spite of what appeared to be speculative long liquidation. Ideas that production in Brazil is getting smaller due to hot and dry weather in the south keeps buyers interested. Futures had rallied sharply last week on news that the EU might be running out of sugar in spite of a big production year. Export demand has taken the surplus and more. Overall, the market seems to be caught in a trading range, with ideas of ample supplies from northern producers such as India and Europe keeping a lid on prices, but worries about the next Brazil production being short again providing some support. The Brazil harvest should start by the end of next month. India and Thailand are still selling, and Europe and Russia should return soon. The trade is still concerned that the center-south Brazil crop may be below expectations due to dryness.

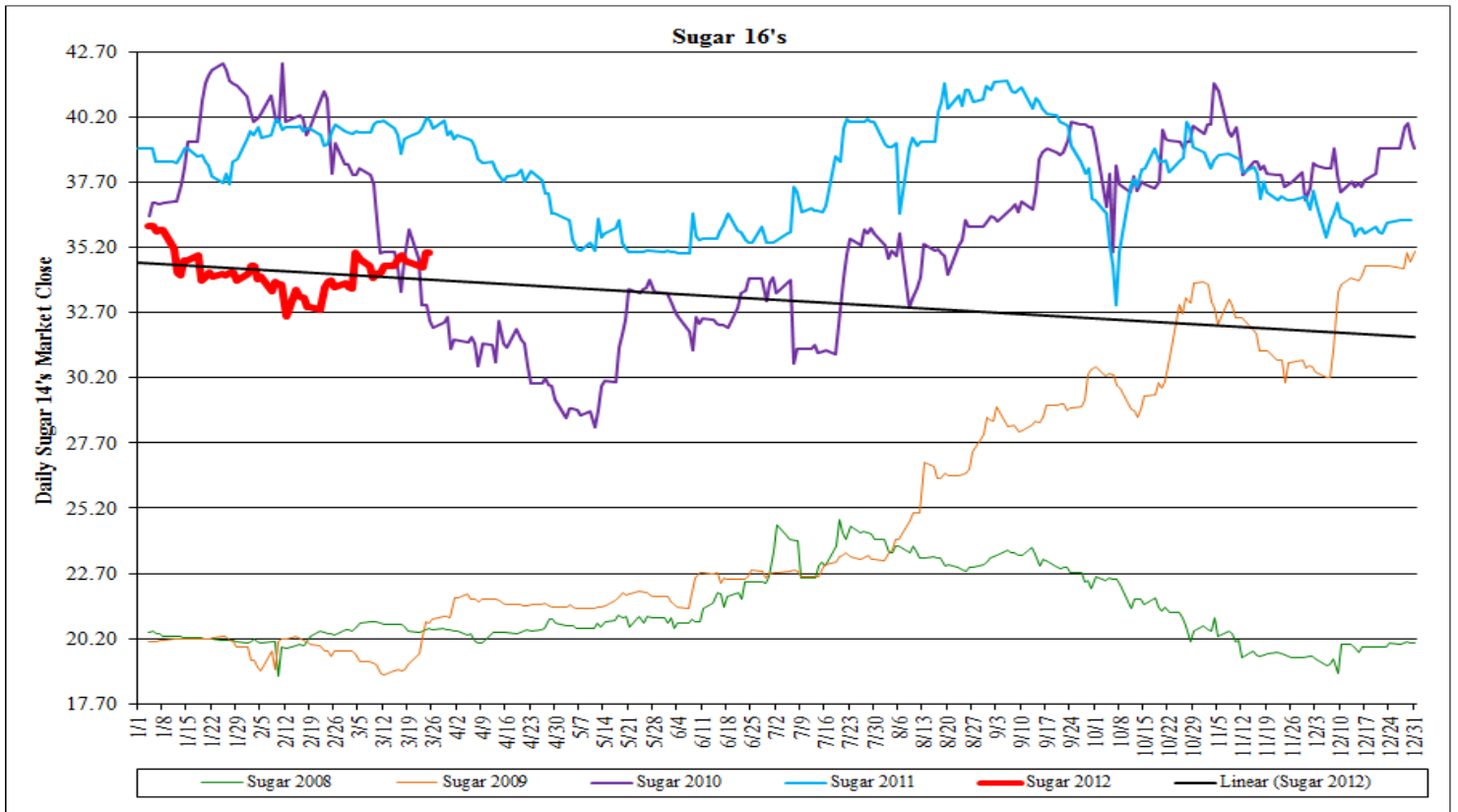
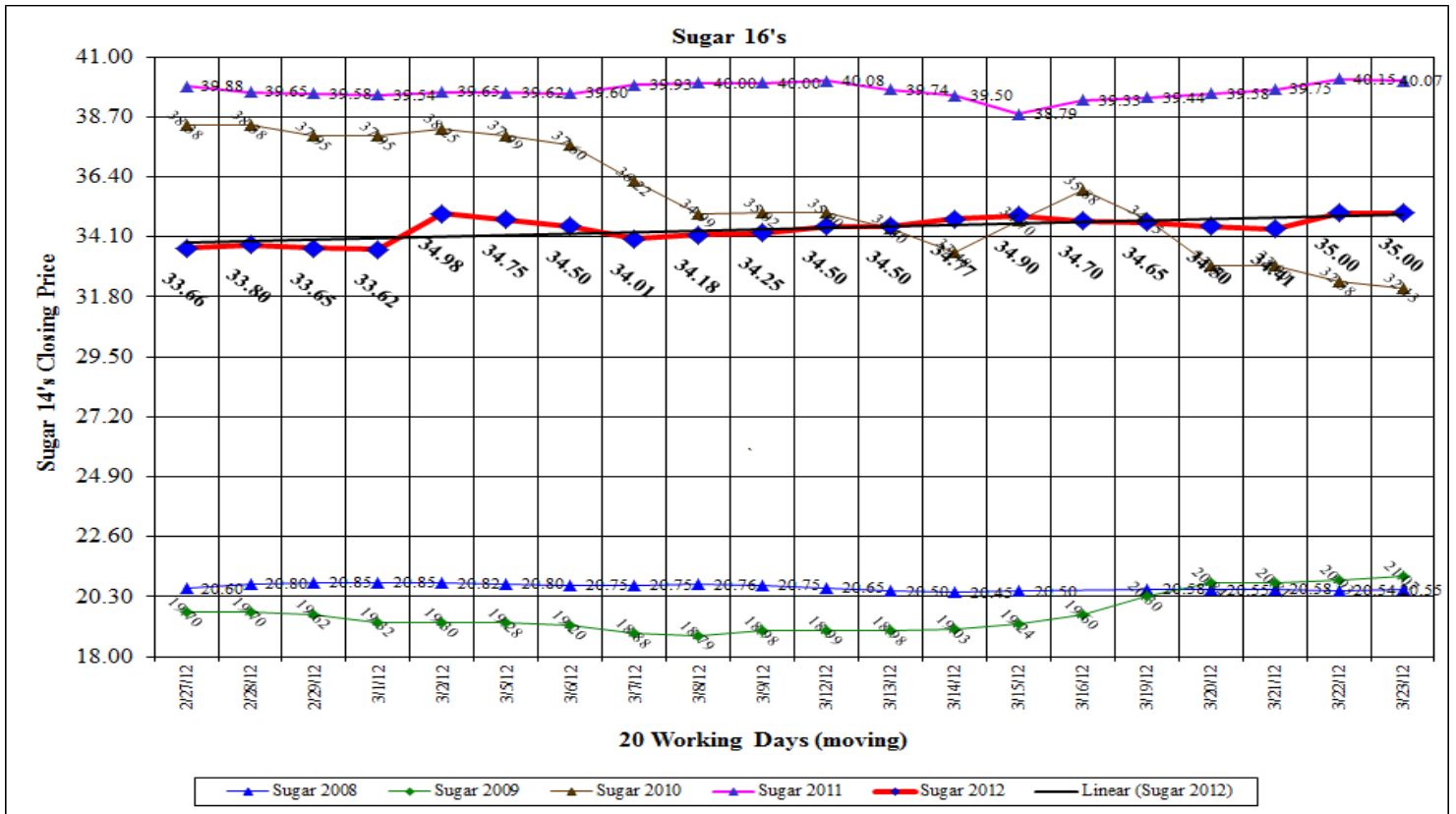
Domestic sugar buyers are beginning to focus on April 1 as it is the time when U.S.D.A. can issue then issue a larger TRQ.

American Crystal Sugar continues to operate with replacement workers.

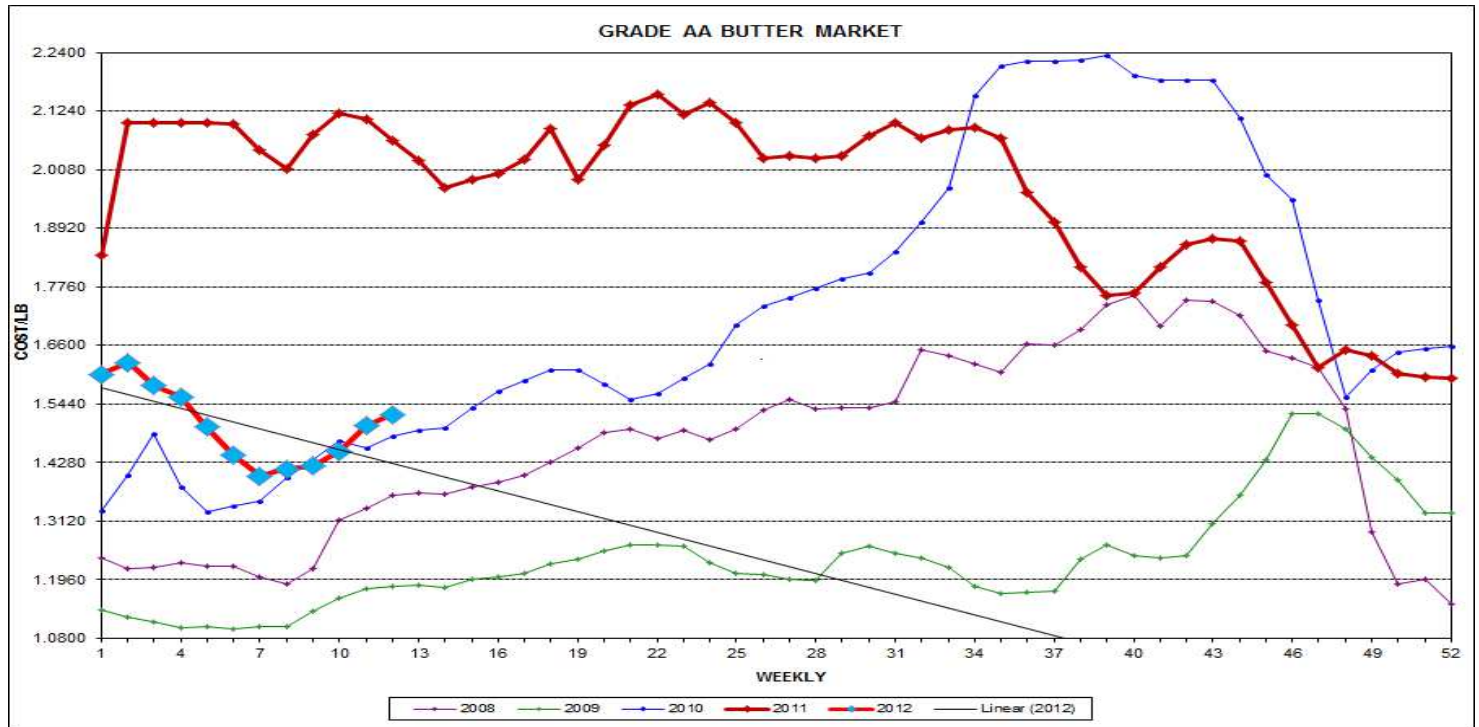
Temperatures have been above 60 degrees the past week in the Red River Valley, raising the potential for yield losses from “weeping” beet piles. U.S. supplies of sugar are adequate for now, but supplies are expected to tighten as we approach the third quarter (JAS).

Price Outlook: Near-term U.S. sugar prices remain on the defensive, but the U.S. balance sheet remains historically tight despite balance sheet easing by U.S.D.A.

Sugar 16's closed up \$0.30/cwt. for the week (versus last Friday's close)



Butter Dairy Market



Score AA butter closed “no change” on Friday, ending the week at \$1.5225/lb. The weekly average is also \$1.5225/lb. up \$0.022/lb. from last week’s average.

A. Butter Market

The butter price remains firm and closed the week at \$1.5225, \$0.0075 higher than a week ago. The current cash price compares to \$1.5150 last Friday, \$1.4150 a month ago, and \$2.0600 a year ago. Many butter producers and handlers still feel that the cash price will ease once the upcoming Easter/Passover holidays have passed. Churning schedules remain seasonally active, although some butter producers are indicating that cream supplies are a little less available due to enhanced Class II demand. Class II demand is stronger as cream cheese, sour cream, whipping cream and other cream based product production are heavier prior to the upcoming holiday period. Warmer temperatures are encouraging ice cream consumption, but for the most part, ice cream production remains seasonally limited. Retail butter demand has eased now that most orders for the upcoming holiday period have been shipped. Suppliers indicate that orders are still occurring for basically fill-in needs. Retail feature activity across the country is occurring and is projected to increase during the next two weeks. Food service orders have also been stronger in anticipation of the upcoming holidays. This week, Cooperatives Working Together (CWT) announced that they awarded export assistance for 1.5 million pounds of butter for shipment now through September 2012.

B. Dairy Powders

Nonfat dry milk prices are trending lower across the country. Increased production schedules due to heavy milk supplies are weighing on prices. Low heat NDM production is responsible for most of the increased supplies as processors try to keep up with incoming volumes of solids. High heat production is being balanced to fill immediate needs. Spot market buyers are looking to make large purchases only when offered discounts to the market. Dry buttermilk prices are unchanged to lower on a weak market. Increased supplies are being utilized by ice cream mix producers and helping to clear inventories. Edible dry whey markets are finding more stability after recent price reductions. Spot loads of whey are available with some discounting still offered although the market remains mostly contract driven. Whey protein concentrate 34% prices are unchanged to lower. WPC34% is finding competition from lower NDM prices for those that are able to modify their ingredient mix. Lactose prices are mostly unchanged with a steady to firm undertone. Demand for high mesh lactose is surpassing available supplies. Casein markets are mostly unchanged.

Eggs

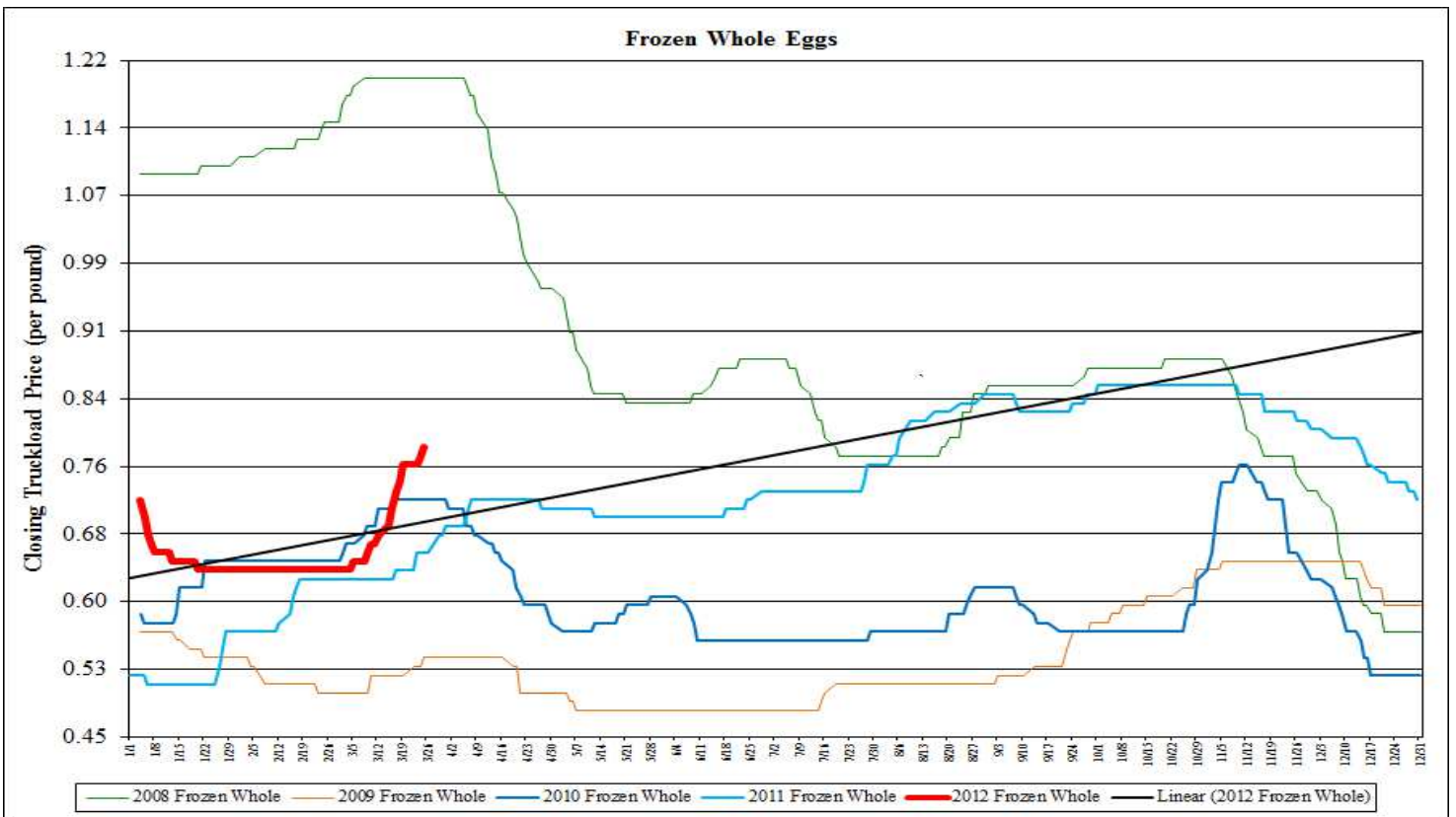
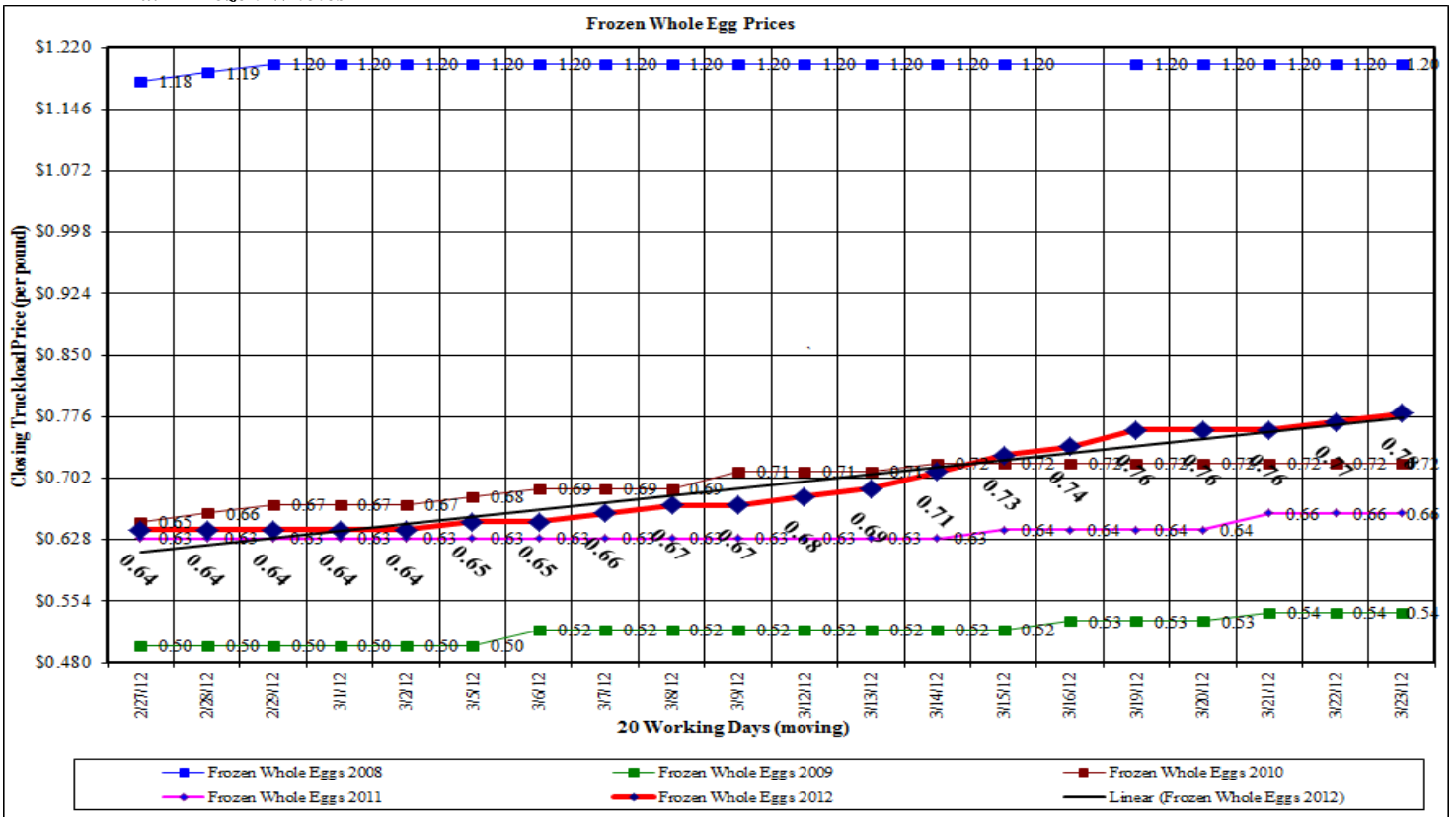
Retail demand is categorized in a range from fairly good to very good. Buyers continue to increase the volumes of their orders, but are not yet completely meeting expectations associated with the upcoming holiday. Consumer buying patterns are reported somewhat mixed, better for those with feature activity. Shoppers are not yet looking to fill Easter needs, as they typically wait till the week of the holiday. Promotions at a number of retail locations are expected to begin as soon as next week however, which should help spur movement of both large and mediums prior. Foodservice demand is described as better than expected, while institutional business demand is average.

Supplies of jumbos through mediums are in a close to tight balance. Wholesale traders are aggressively pursuing supplies, but are finding limited availability. Inventory levels suggest that there are eggs available, however sellers are holding out for higher prices or for their own expected retail orders. Movement of these categories continues to occur at premiums to current market levels. Further processors are again elevating the premium structure of their bids in order to secure their needs in the breaking egg category. The market is moving higher.

The weekly Broiler Report showed eggs set down 6% and broiler-type chicks placed down 5%.

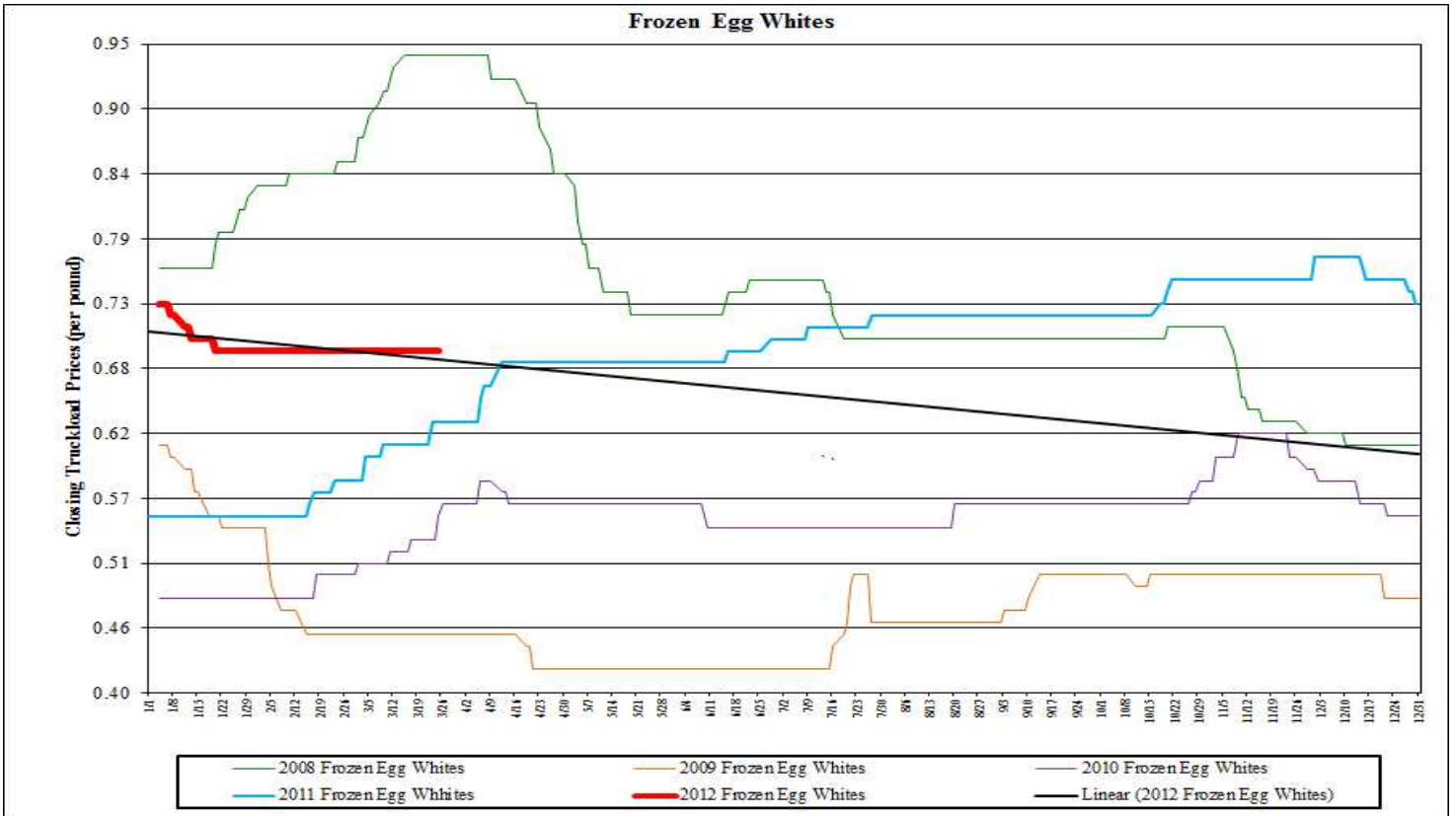
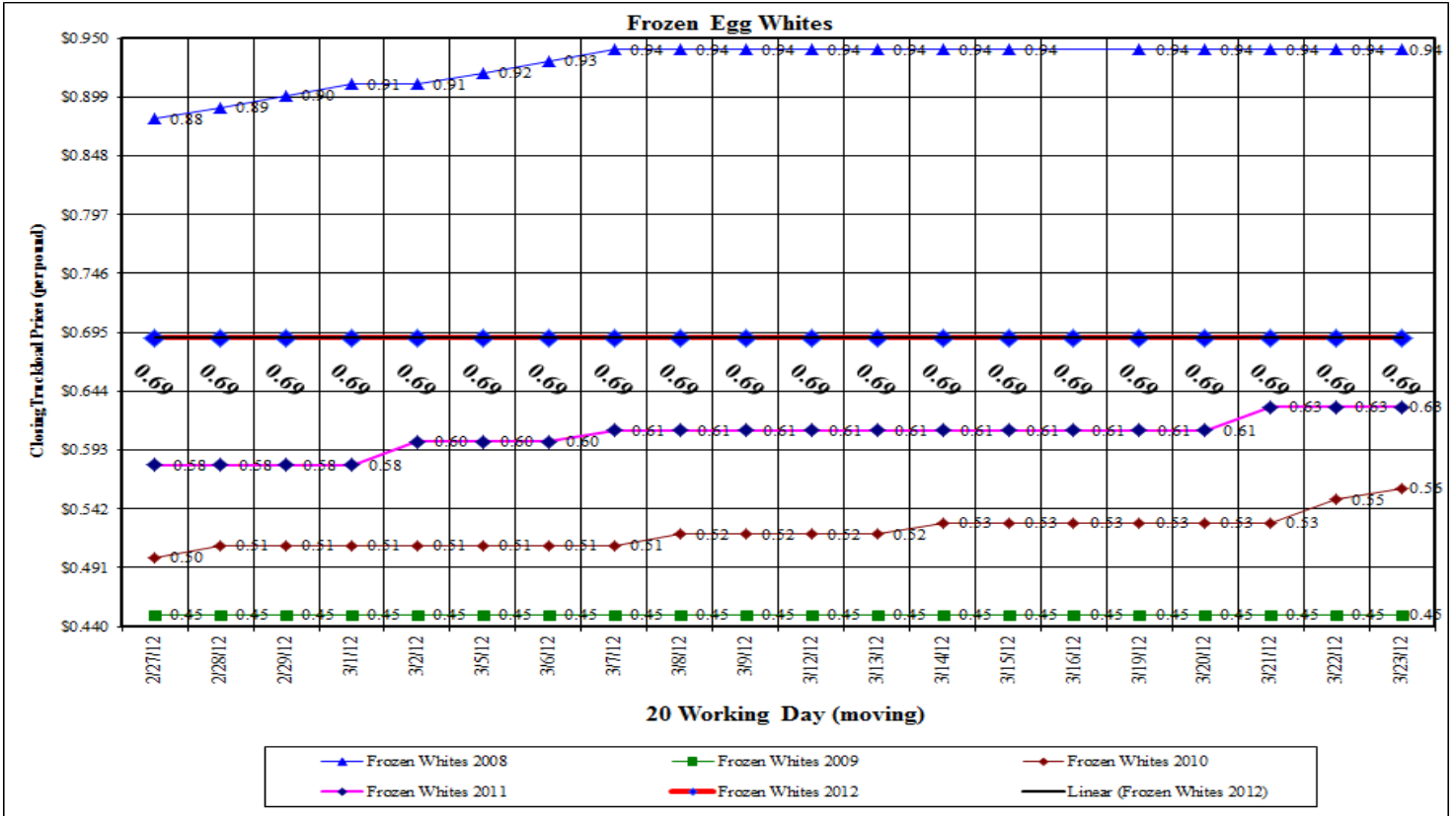
The products market continue trending higher—following last week's surge of activity. Underlying buying interest is noted in the liquid complex; however minimal trades have been reported at this time. With raw material prices trending higher, it is unlikely that sellers are willing to negotiate their asking prices on spot supplies. The finished arena is also mostly inactive, but persistent call is present from our trading partners in the EU and is emerging from those in Asia, particularly Japan.

a. Frozen Wholes



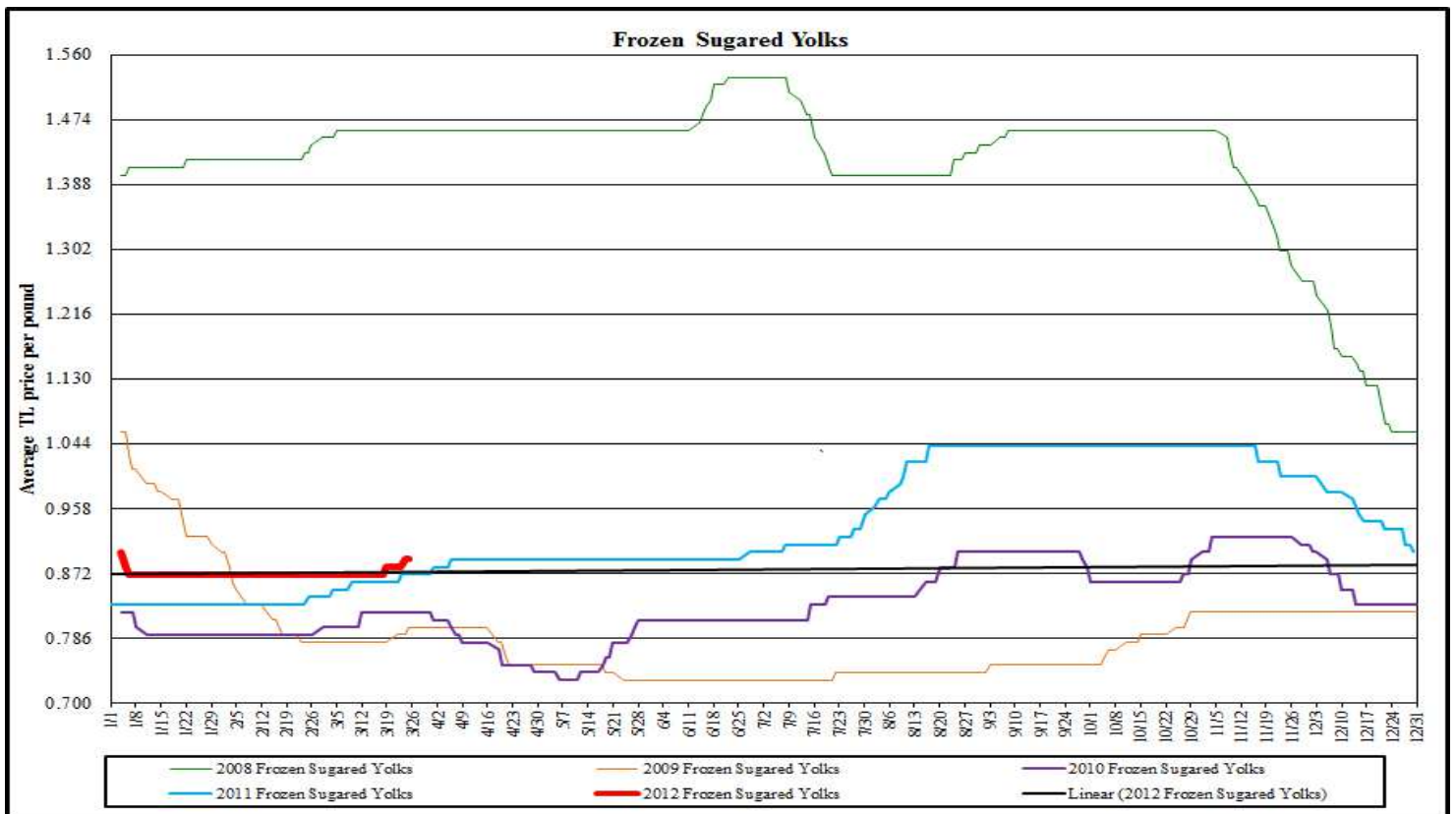
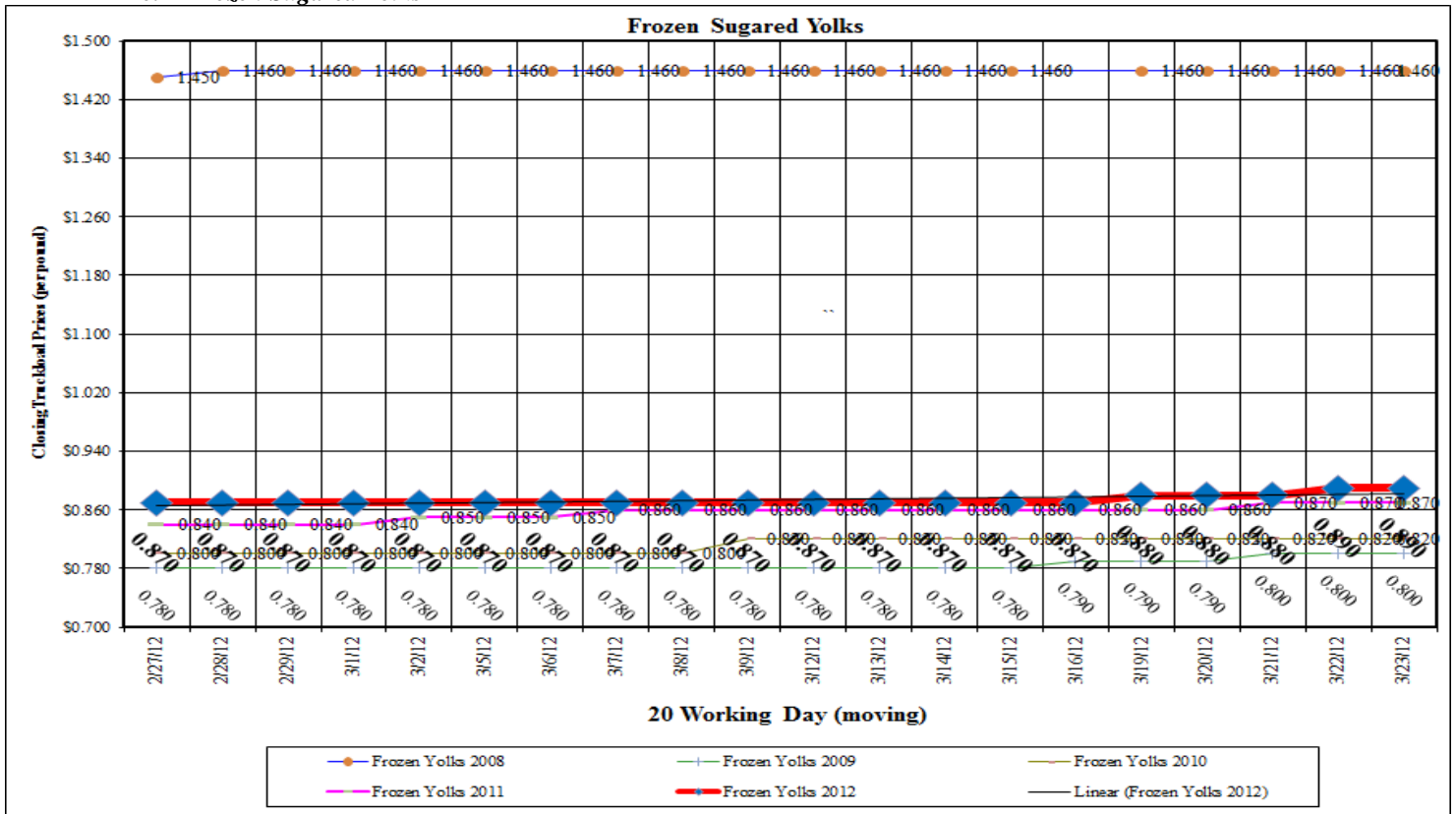
Frozen Whole Eggs closed up \$0.04/lb. for the week (compared to last Friday's close).

b. Frozen White



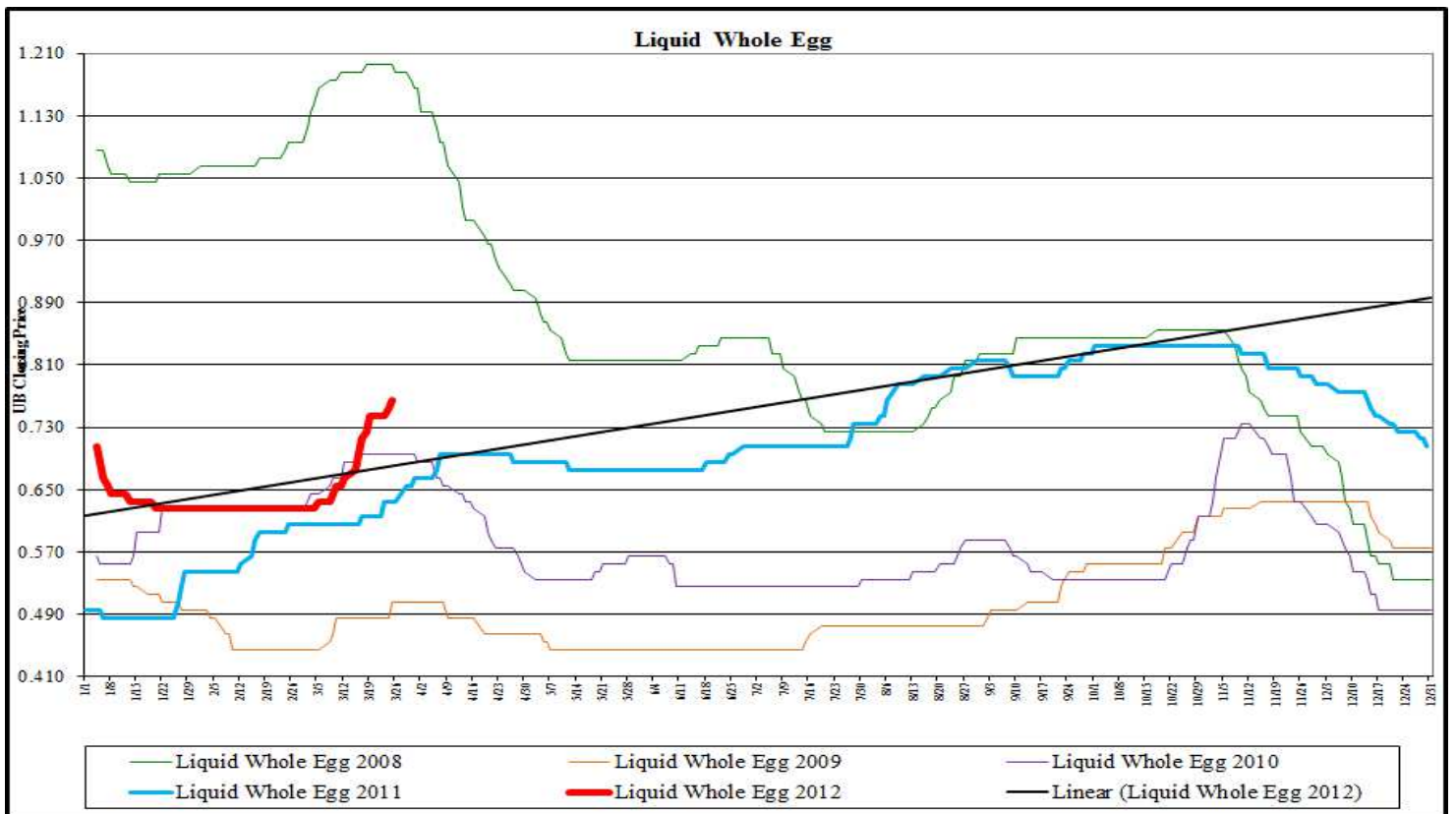
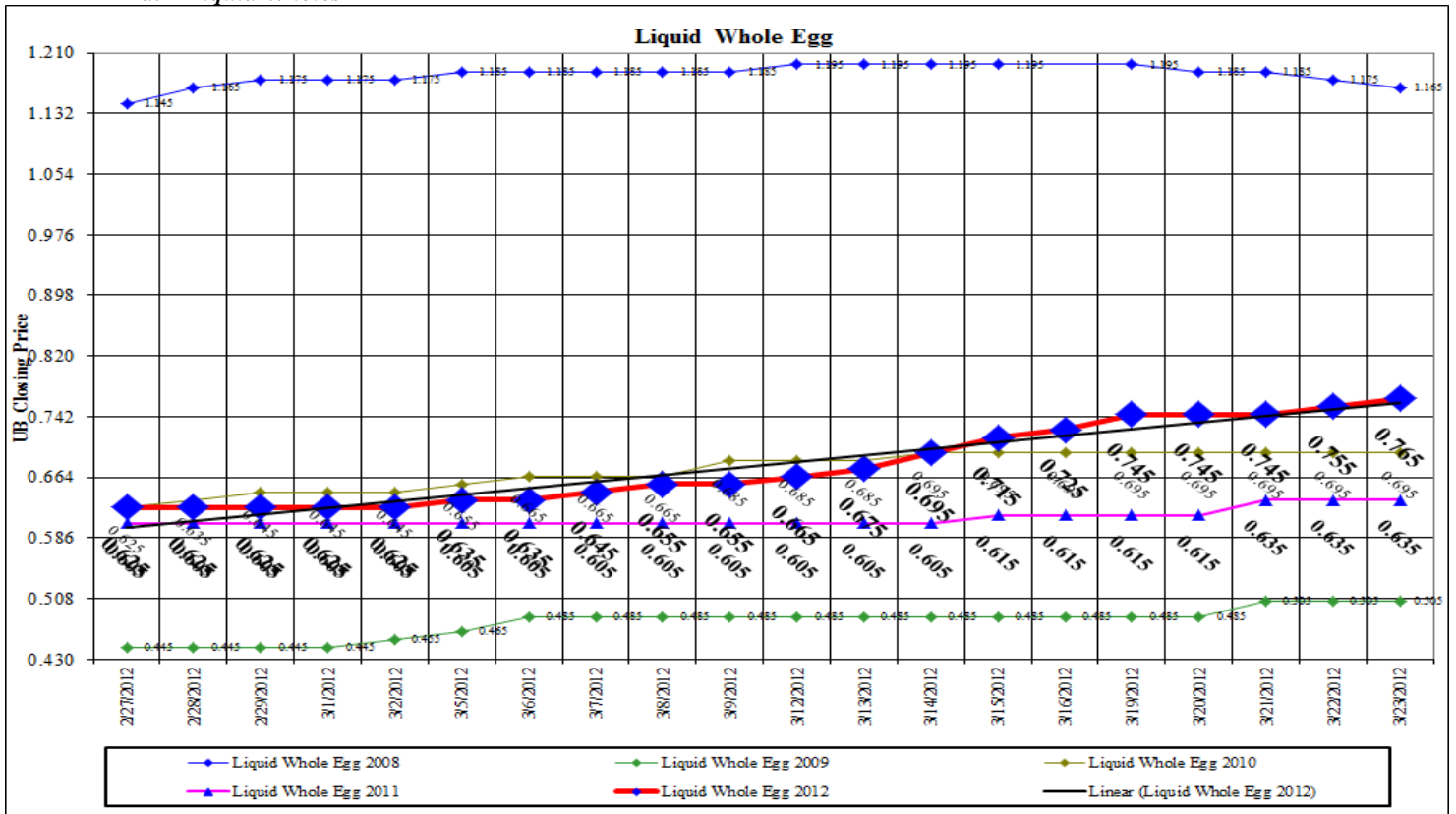
Frozen Egg Whites closed “no change” for the week (compared to last Friday’s close).

c. Frozen Sugared Yolks



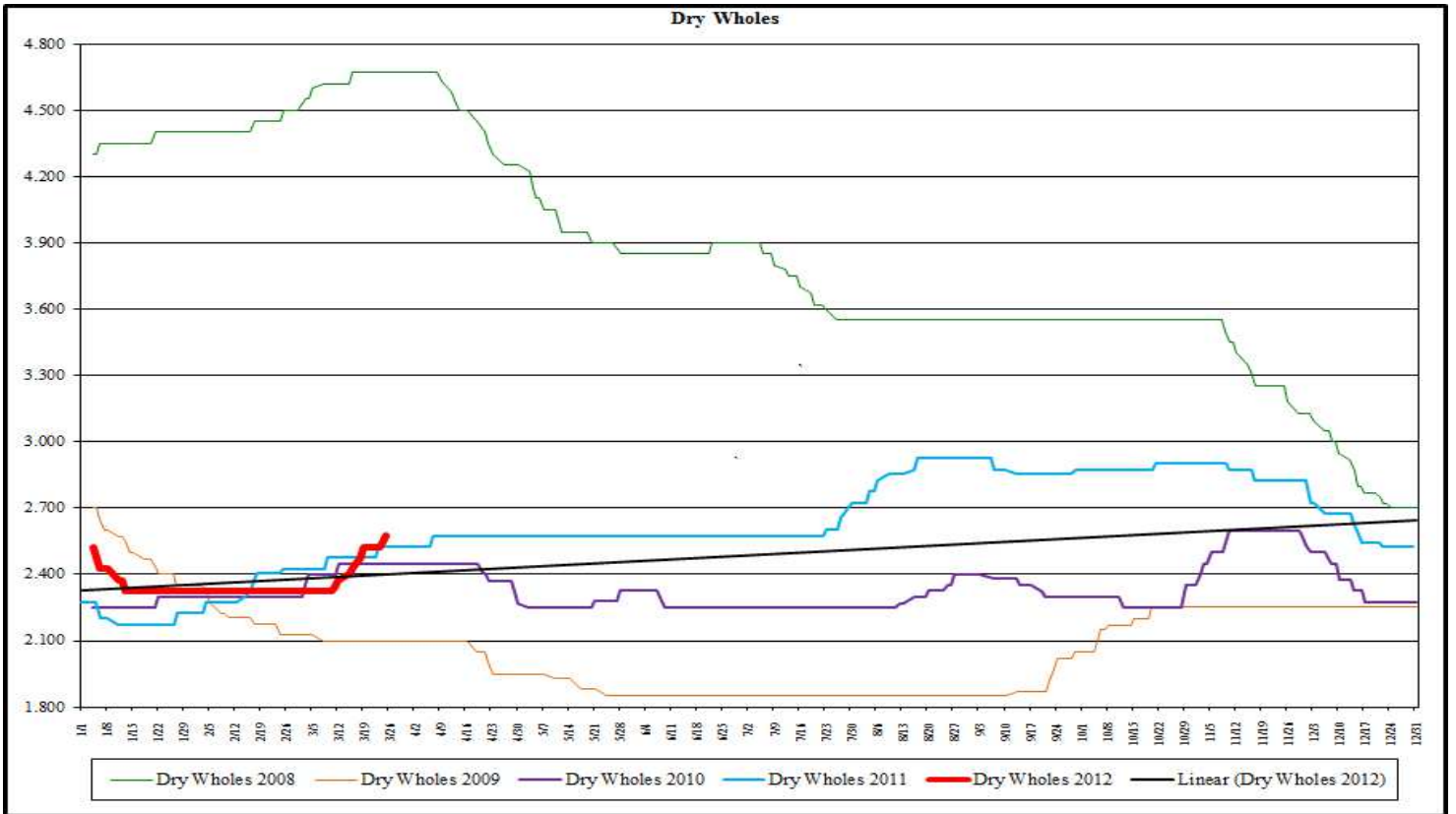
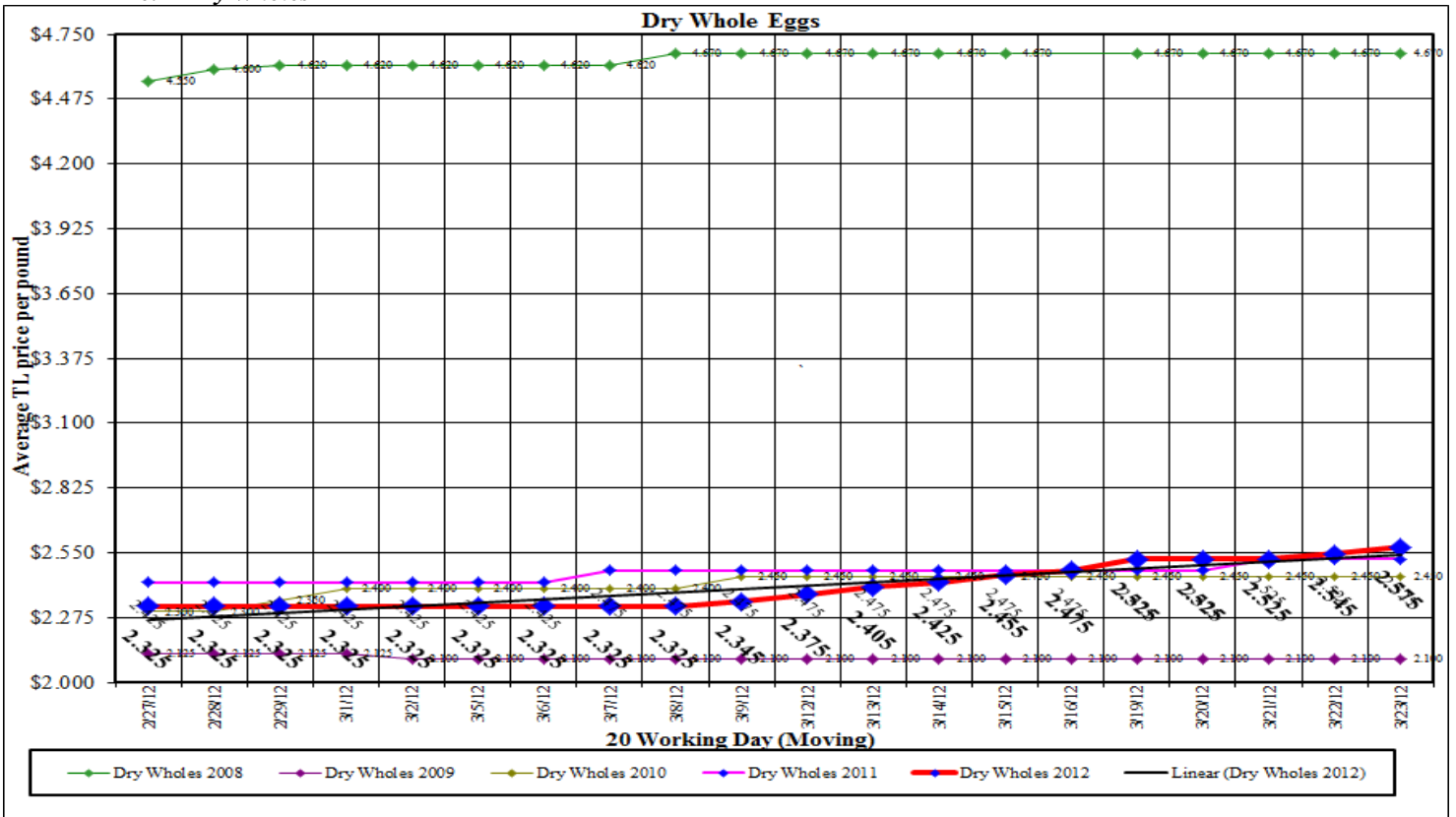
Frozen Sugared Yolks closed up \$0.02/lb. for the week (compared to last Friday's close).

d. Liquid Wholes



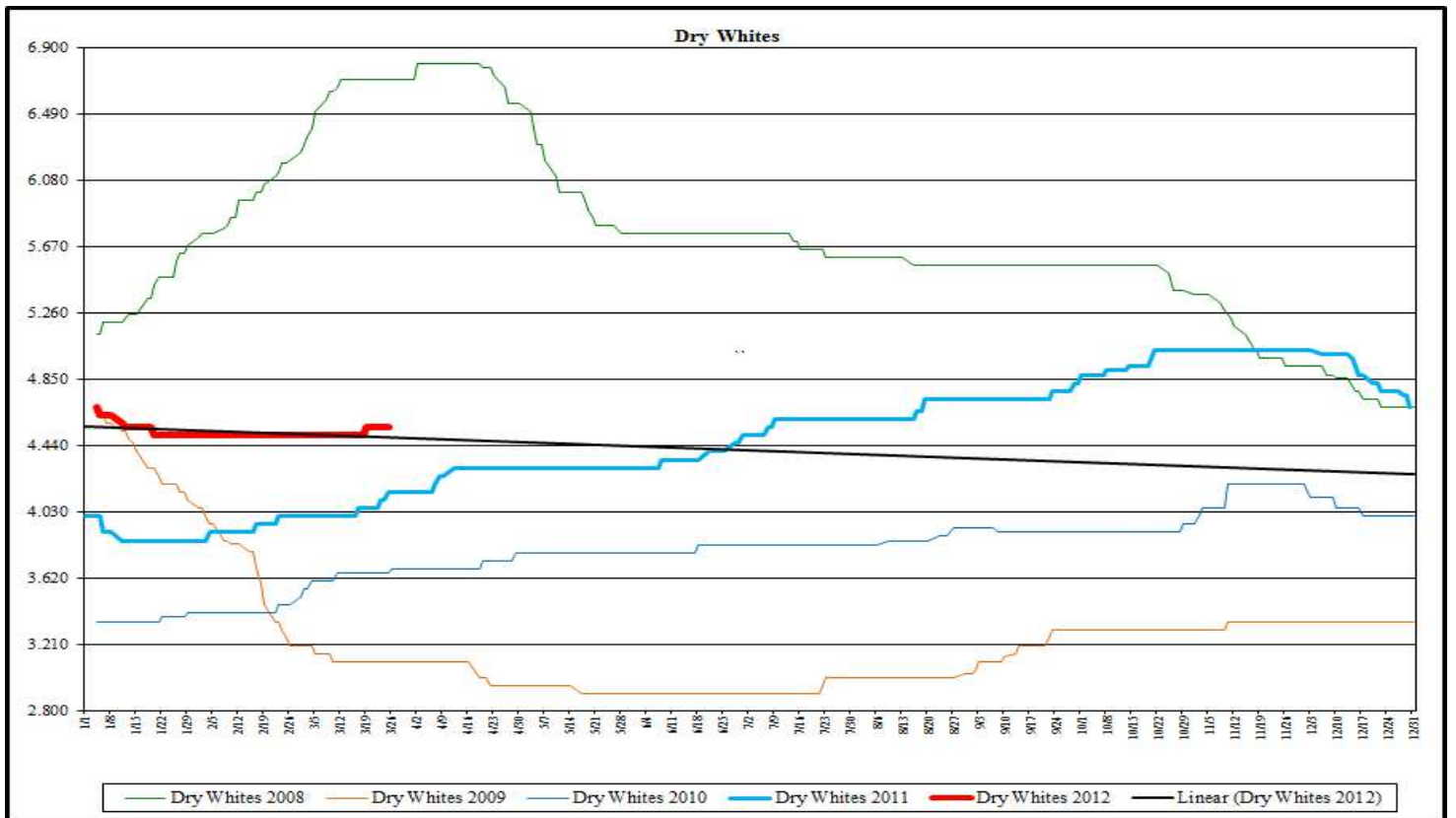
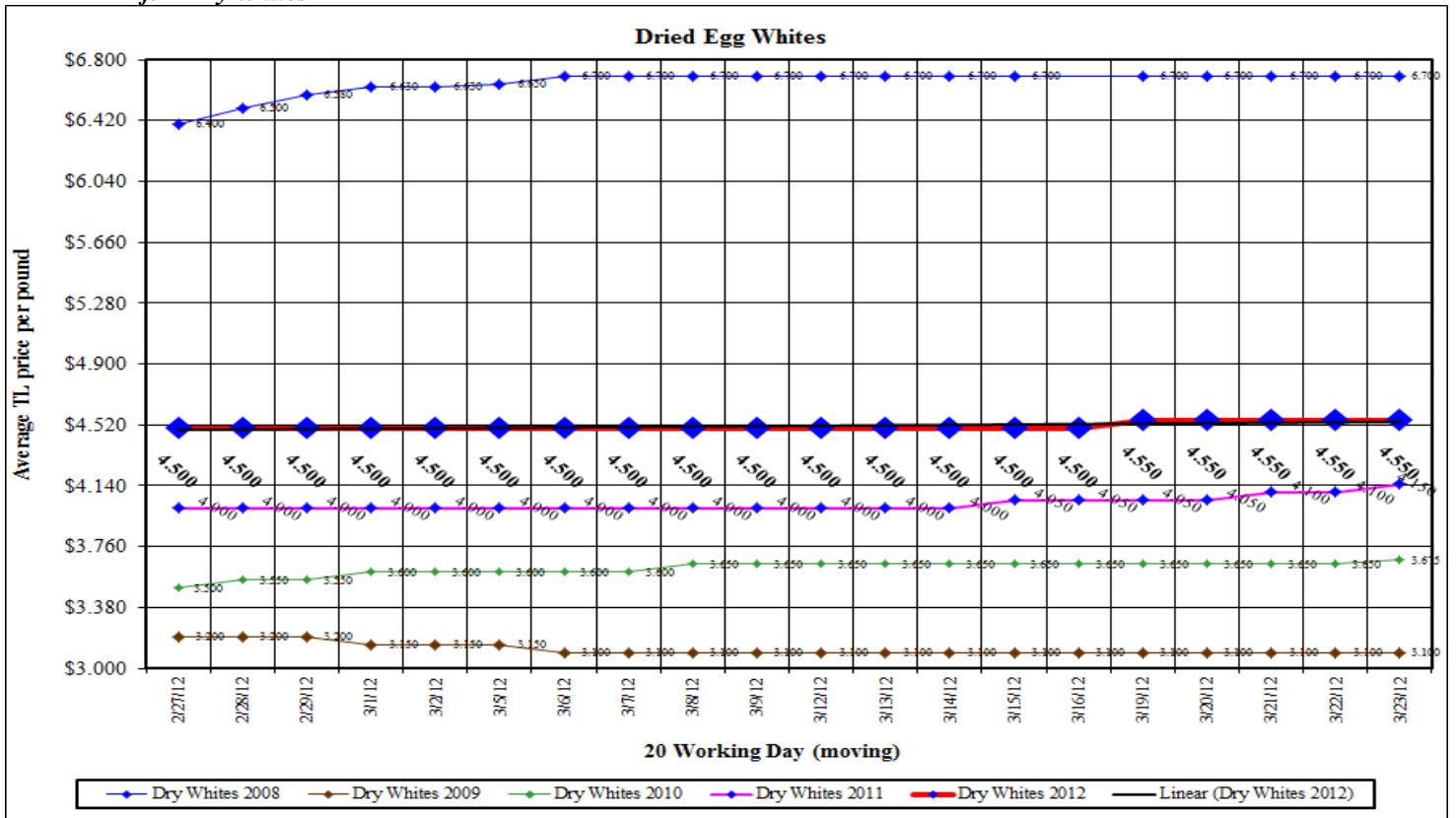
Liquid whole eggs closed up \$0.04/lb. for the week (compared to last Friday's close).

e. Dry Wholes



Dried Whole Eggs closed up \$0.10/lb. for the week (compared to last Friday's close).

f. Dry Whites



Dried Egg Whites closed up \$0.05/lb. for the week (compared to last Friday's close).

Corn

Corn futures were lower this week, and in the first two days this week, corn trade wiped out last week's rally on the spot month.

Corn stocks at select export elevators and terminals were up 1.367 million bushels from the previous week.

The dollar finished weaker this week, but most likely didn't have as much of an impact on the corn market as a Deutsche Bank decision to not create additional investment Ag funds in 2012.

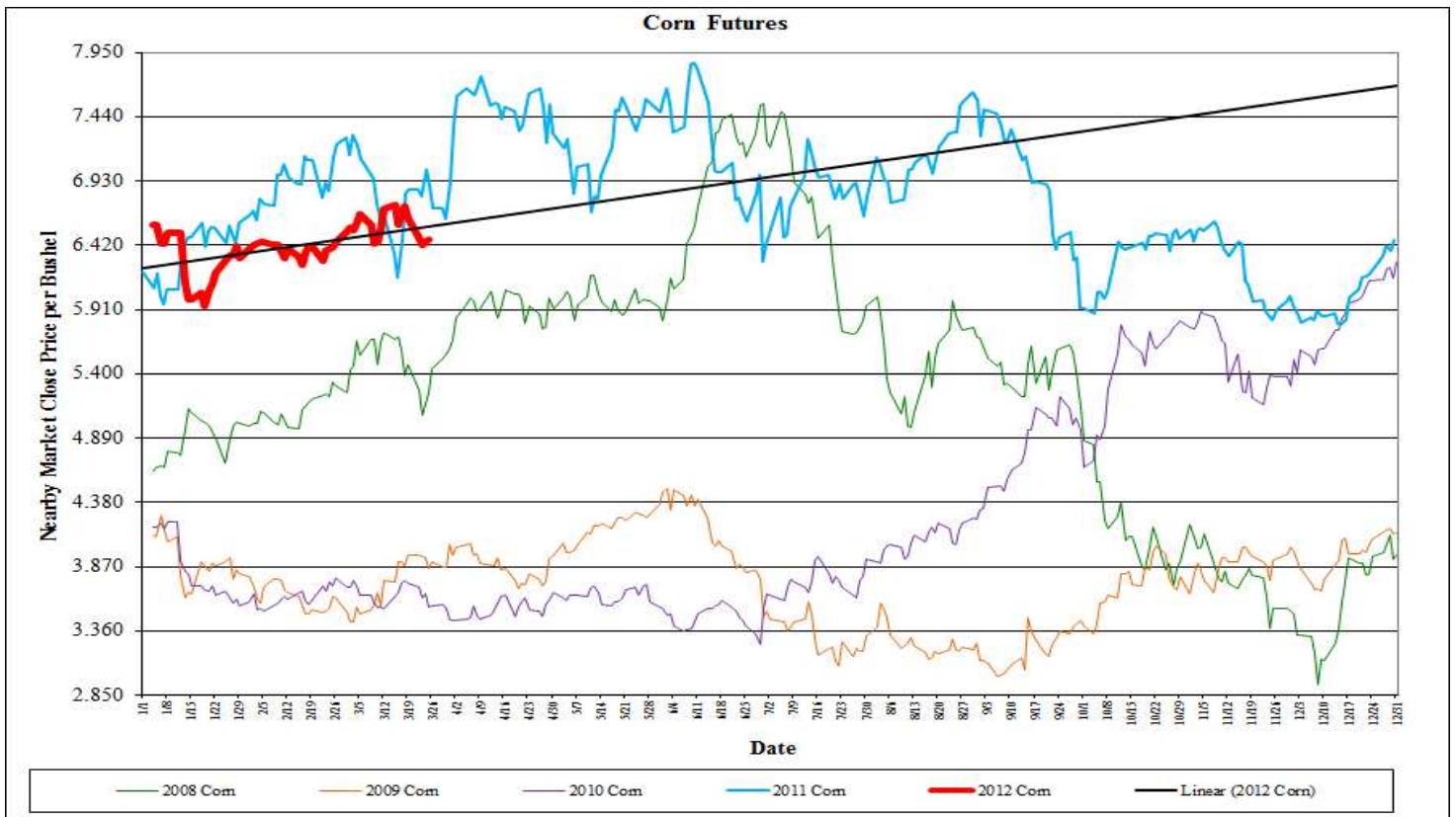
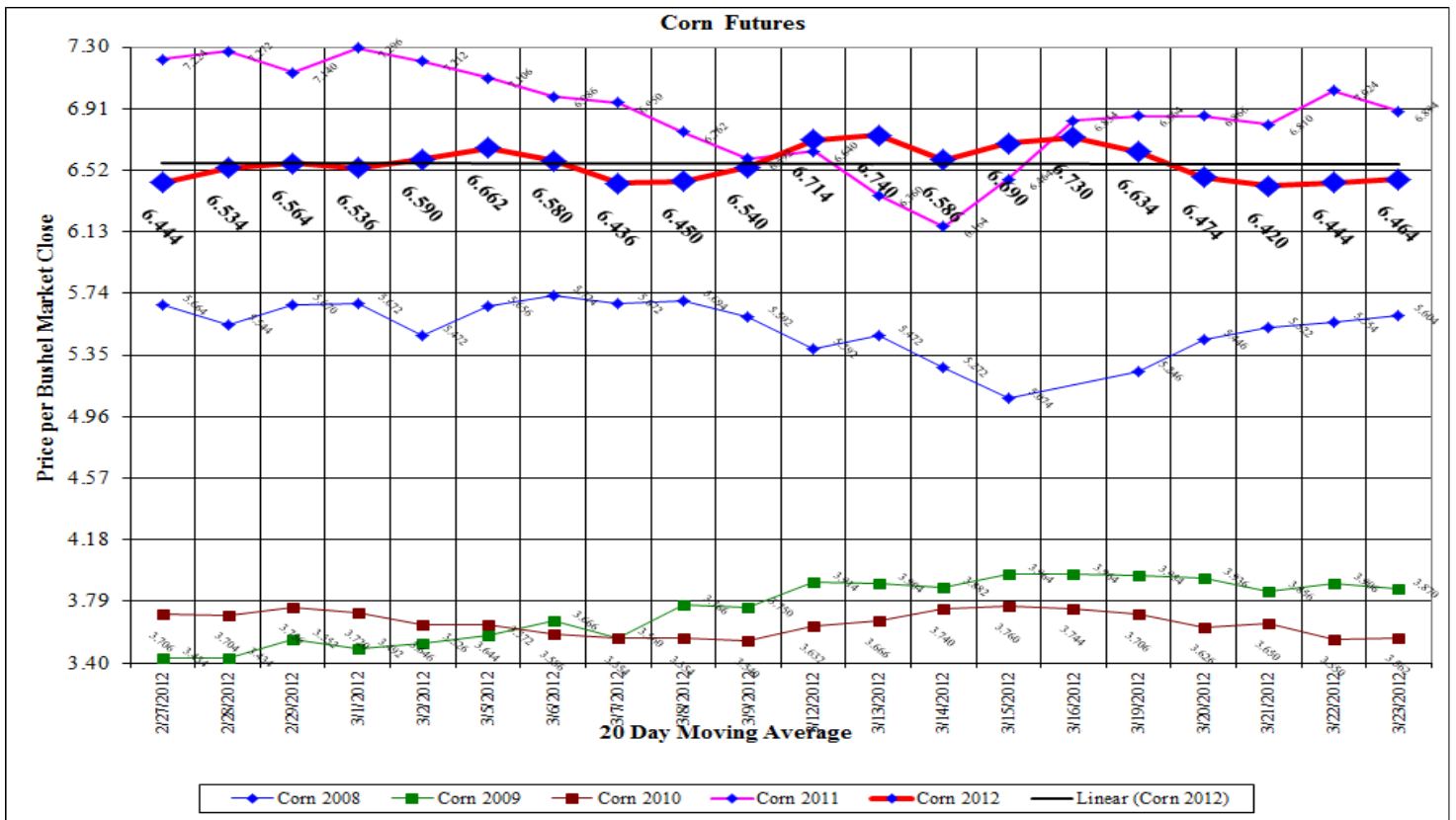
Argentine truckers are protesting low pay rates with an indefinite strike.

The long range forecasts show temperatures will remain above normal through April 3rd but begin to moderate in the 8 to 14 day forecast from the 6 to 10 day. Precipitation is expected to be above normal for most of the corn belt from March 28 through April 3rd. Forecasts for above normal rainfall in the Plains and Western corn belt this week are seen by some as setting up the crop for above normal yields in 2012, as dryness has been an ongoing concern. Texas reports 33% of the corn crop planted, lagging the 37% average for this time. Corn planting has reportedly been halted by heavy rains in the Delta, with producers now considering a switchover to soybeans and cotton on the remaining acres.

Weekly export inspections were weak, at 23.2 million bushels versus 30.9 million a year ago for this week. Cumulative shipments now lag year ago by more than 23 million bushels. .

Weekly ethanol production averaged 893,000 barrels per day, but ethanol stocks built up to 22.7 million barrels anyway. Progress is being made in rolling out E15, but until it becomes commercial the effective blend wall is about 12.6 billion gallons at the current inclusion rate according to the RFA.

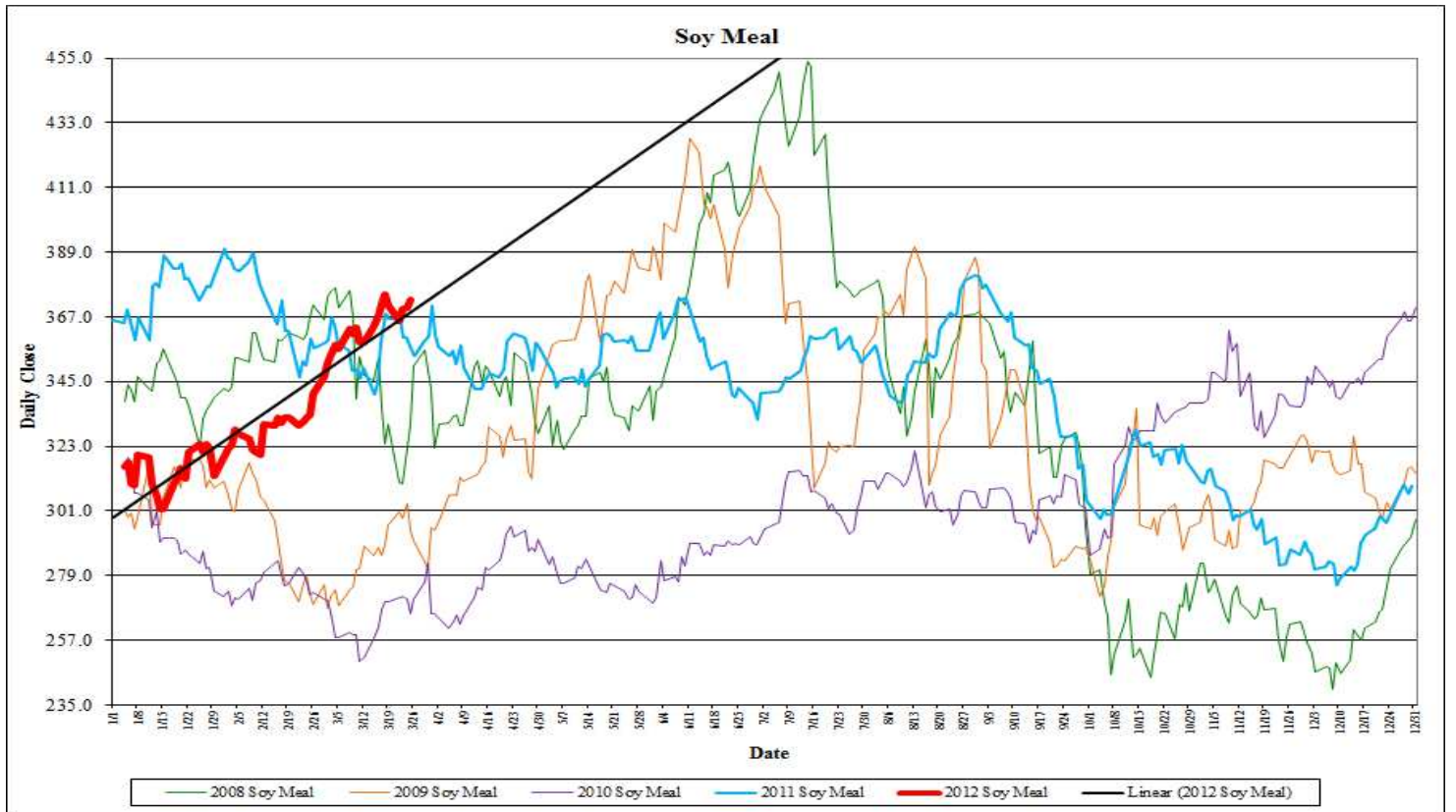
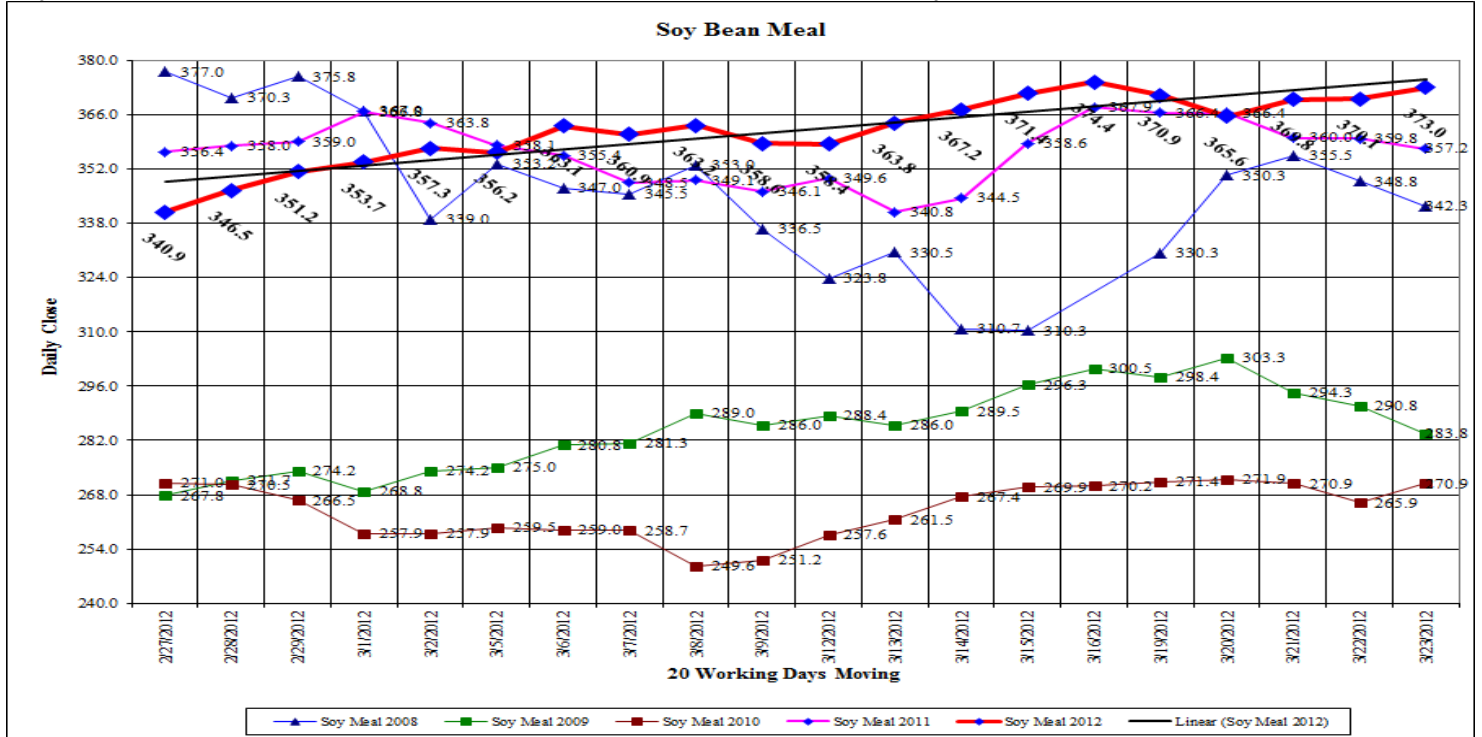
Corn futures closed down \$0.27/bushel for the week (versus last Friday's close).



Soy Meal

So far, the May meal market put in highs closer to \$375.00, with values holding at \$360.00. Any break and close under \$360.00 would promote more liquidation. Soy bean mail export sales for the week were 87,400 metric tons (versus an expected 50-160—down 44% from the previous week).

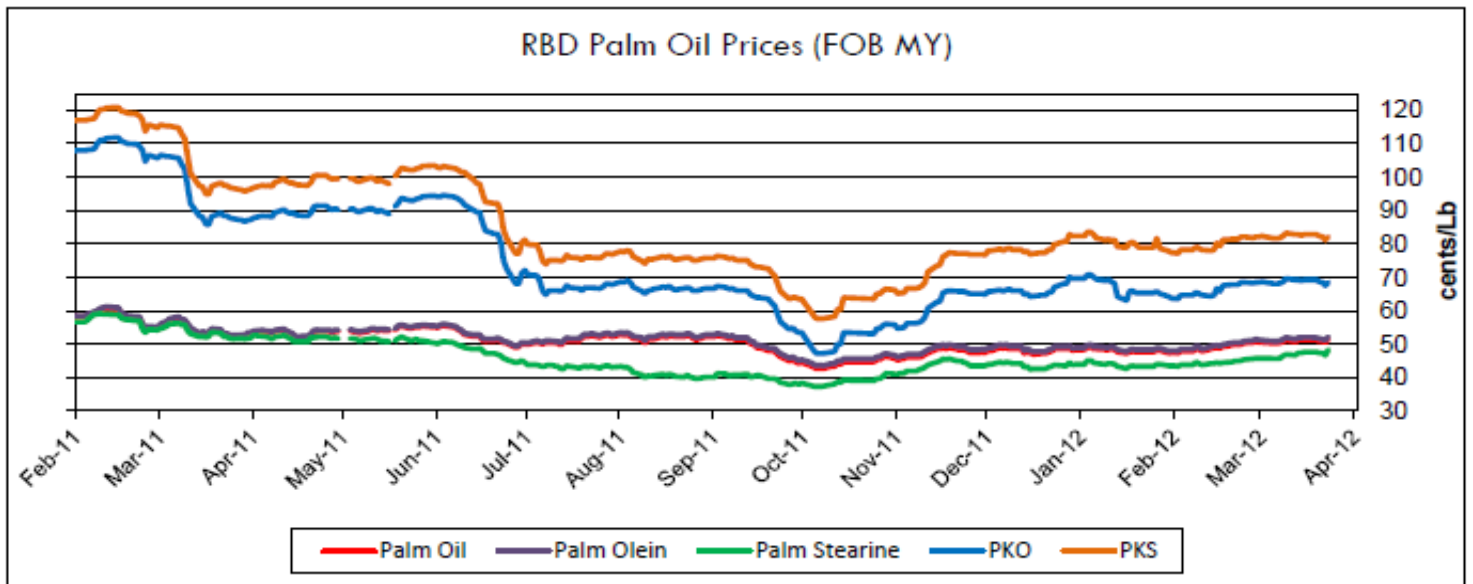
Soymeal futures closed down \$1.40/ton for the week (versus last Friday's close).



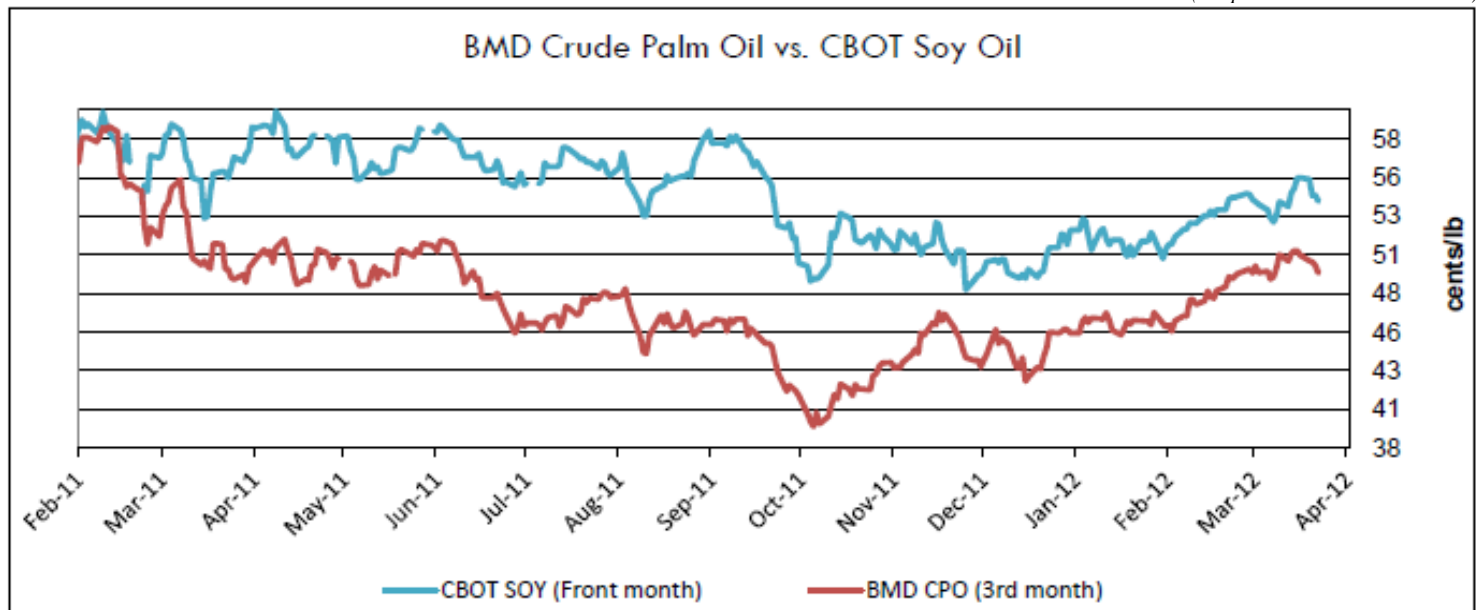
Palm Oil

Palm oil hit a 9-month high of 3,418 ringgit last week, and futures have traded 6.1% higher this year. But Malaysian export numbers helped snap the trend. So by way of a course correction, Malaysian palm oil futures dropped to their lowest in nine days as China's factory activity fell, renewing concerns over global economic growth and commodity demand. Losses were limited compared to markets such as crude oil, as palm oil traders were betting export data due next week would show strong demand from Europe and India. By week's end, June Malaysian palm oil rebounded 82 ringgit to 3,426—a fresh 9-month high. Overall volume was strong at 32,759 tons. Not much fresh news, but on Monday traders expect March 1-25 palm oil export data to remain positive.

But news of China's industrial activity dropping in March, with new orders sinking to a four-month low, could see investors slam on the brakes further on palm oil's rally of last week. Benchmark June palm oil futures ended down 26 ringgit at 3,342 ringgit (\$1,100) per ton after falling as low as 3,334 ringgit, the lowest since March 13. Malaysian palm oil exports increased by 14% for March 1-20, indicating that demand is still healthy.



(Graph source: Loders Croklaan)



(Graph source: Loders Croklaan)

Energy Markets

The energy markets, excluding gas, remain in strong uptrends overall. There is good support for the crude from 104 down to 98 with key price areas to watch around 100 and 95. Natural gas has held its lows since the KEY REVERSAL on March 13th. Of course natural gas has been in a down-trend dating back to April 2008 along with a four year supply and little storage capacity left anywhere.

While the Energy Information Administration data showed the United States was a net exporter of petroleum products (petroleum and other liquids, excluding crude oil) for the first time since at least 1949 they are saying that they do not believe that exports are the cause of higher gasoline prices. The EIA said that in 2011, total gasoline exports only comprised 18% of total U.S. petroleum product exports. However, they have been a growing share of total petroleum product exports since 2007 when their share was just 10%. The United States exported more than 500,000 barrels per day (bbl/d) of gasoline in 2011; this level represents a 57% increase compared to 2010, and a 266% increase compared to 2007. These increasing gasoline exports have been a response both to weak domestic demand and coproduction of gasoline spurred by strong global demand for distillate fuels.

The EIA says that while the United States has always been tied into the global petroleum product markets, but this export growth has transformed its position from a net petroleum product importer into a net petroleum product exporter in short order. In terms of gasoline, the United States remained a net importer for 2011 as a whole; however, on a monthly basis, it was a small net exporter by the end of the year. In addition to gasoline exports, the United States exported about 850,000 bbl/d of distillate fuel in 2011. With distillate crack spreads regularly exceeding those for gasoline in recent years, refiners have tried to maximize distillate production to capture this value. In doing so, they have also produced more gasoline. Thus, excess gasoline in Gulf Coast markets has been partly the result of refiners responding to distillate crack spreads. Most of the U.S. exports for distillate and gasoline come from the Gulf Coast. Gulf Coast excess capacity has resulted from both declining demand (preliminary data for 2011 show gasoline consumption 550,000 bbl/d, or 6%, lower than 2007) and increasing capacity, such as the recent expansion at Marathon's Garyville refinery in Louisiana. In addition, Gulf Coast refineries have a competitive advantage in some world markets. The Gulf Coast refining complex as a whole is very sophisticated. Refiners there have invested significantly in bottoms upgrading capacity and can thus run relatively cheaper crude oils. Moreover, they use natural gas for their fuel, which at current prices is an advantage compared to refineries fueled by petroleum. Gulf Coast refineries also have good water access and a location that allows for a relatively short-haul voyage to the growing Latin American markets. Gasoline statistics at the national level can mask substantial geographic market variations for this product. Historically, the U.S. market has relied extensively on gasoline imports for supply. This has been especially true on the East Coast which has been the destination of about 85% of total U.S. gasoline imports. U.S. suppliers on the East Coast see imports as an economic way to meet domestic market needs. East Coast markets can be supplied by imports from areas such as Europe, where a relative over-supply of gasoline means wholesale prices there tend to be low. This creates a fairly consistent incentive to pull gasoline from Europe to New York Harbor.

So why do Gulf Coast refineries export product rather than send more to the East Coast, especially the Northeast, which receives much gasoline import volumes? Both pipeline capacity and domestic waterborne shipping constraints currently discourage increased volumes from traveling from the Gulf Coast to the East Coast. As long as European and other gasoline supplies remain competitive, the East Coast will continue to draw on these supplies. Additionally, expanded Midwest refining capacity is backing out requirements to ship products from the Gulf Coast north to that area.

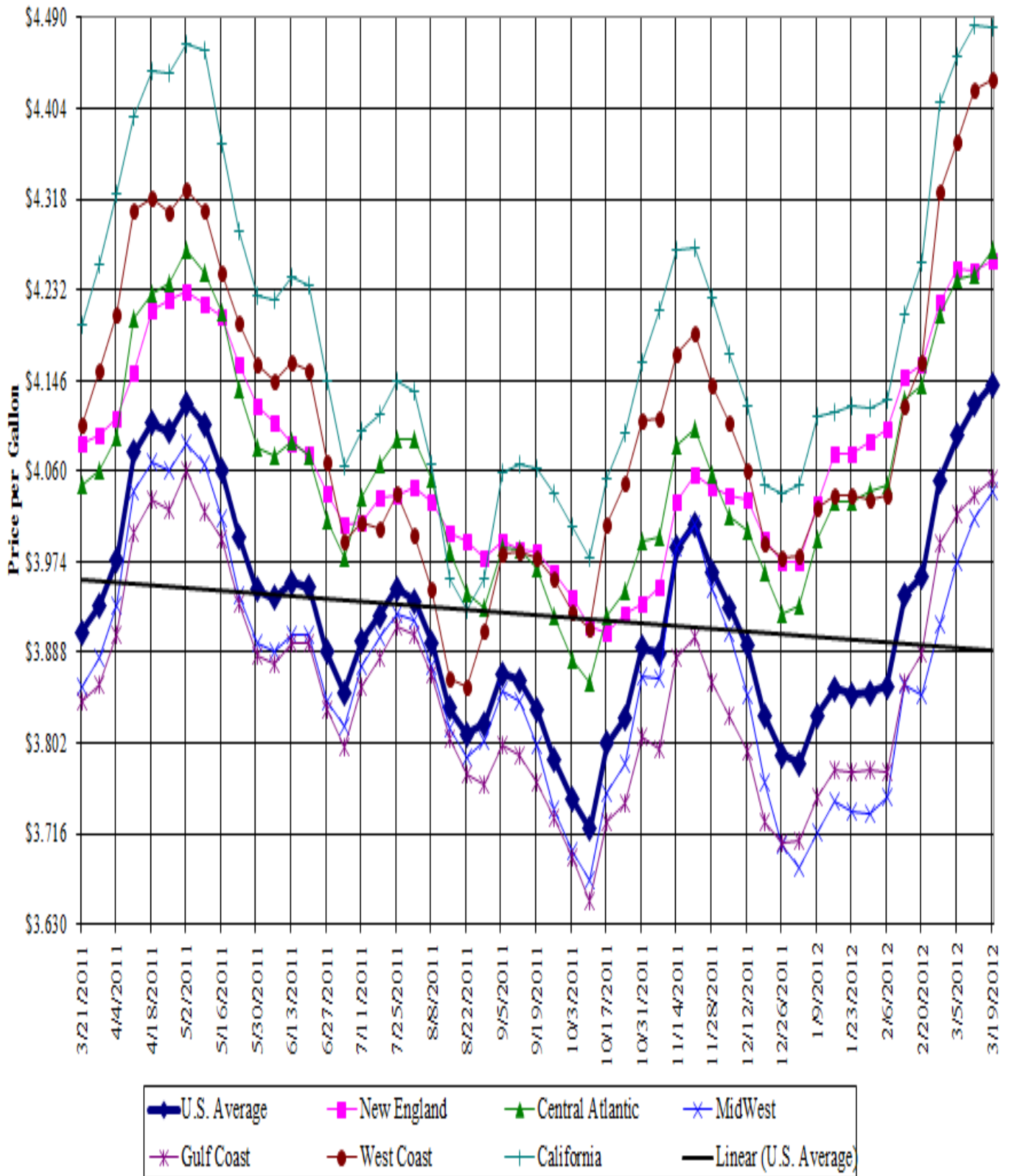
At the same time, demand for gasoline in Latin America has been growing. Mexico has always been a major market for U.S. gasoline exports, but the volumes sent south have grown in recent years. Consumption in Mexico has increased 5% (38,000 bbl/d) since 2007 and 25% (160,000 bbl/d) since 2004. Furthermore in 2010 and 2011, gasoline production from Mexican refineries declined. From 2000-2007, total U.S. gasoline exports averaged about 150,000 bbl/d and of that, Mexico made up about 110,000 bbl/d. Since 2007, exports have grown by 380,000 bbl/d, with 220,000 bbl/d of this growth going to Mexico, and an additional 130,000 bbl/d going to other countries in Central and South America, notably Brazil, Ecuador, Guatemala, and Panama.

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
3/21/2011	\$3.9070	\$3.9380	\$4.0870	\$4.0460	\$3.8780	\$3.8550	\$3.8410	\$3.9250	\$4.1040	\$4.1990
3/28/2011	\$3.9320	\$3.9520	\$4.0950	\$4.0610	\$3.8920	\$3.8830	\$3.8570	\$3.9590	\$4.1550	\$4.2560
4/4/2011	\$3.9760	\$3.9820	\$4.1090	\$4.0920	\$3.9230	\$3.9320	\$3.9050	\$4.0170	\$4.2090	\$4.3230
4/11/2011	\$4.0780	\$4.0820	\$4.1540	\$4.2040	\$4.0240	\$4.0400	\$4.0010	\$4.0970	\$4.3080	\$4.3970
4/18/2011	\$4.1050	\$4.1110	\$4.2120	\$4.2290	\$4.0510	\$4.0680	\$4.0330	\$4.1260	\$4.3190	\$4.4400
4/25/2011	\$4.0980	\$4.1050	\$4.2220	\$4.2380	\$4.0380	\$4.0610	\$4.0240	\$4.1340	\$4.3050	\$4.4380
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

Diesel Fuel Prices in Dollars per Gallon

52 Week Moving



Fruits/Nut Markets

Strawberries and Blueberries—US (WA): Production of blueberries and strawberries up in 2011

The U.S.D.A. National Agricultural Statistics Service released the annual berry report for Washington and Oregon last Friday. The report shows an increase in fresh strawberries and blueberries in Washington during 2011. An increase in Oregon blueberries was also reported. 12.2 million pounds of fresh blueberries were produced in Washington during 2010, in 2011 that figure jumped to 30.5 million pounds. The production of fresh strawberries for the state went from 10,000 cwt to 17,000 cwt from 2010 to 2011. Red raspberry production went down from 610,000 pounds to 400,000 pounds. For Oregon, blueberry production rose from 27.3 million pounds in 2010 to 36.7 million pounds in 2011. Strawberry production dropped from 37,000 cwt in 2010 to 28,000 cwt in 2011. Red raspberry production remained constant at 1 million pounds, and blackberry production dipped from 4.1 million pounds in 2010 to 4 million pounds the following year.

Apples—US (WI): Apples in danger due to warm weather

Temperatures have been close to 80 degrees for several days now and buds are starting to appear on the apple trees. A frost now - not out of the question - would mean the end for most of the buds and no apples. Steve Louis, owner of Oakwood Fruit Farm, said "Anything much below 27 degrees and we could get a complete crop failure. There is nothing to protect the buds once they emerge, as they have already started doing. Louis said that this was the first time he had ever experienced such an event. "I was born and raised here, and I've never seen anything that even comes close to this," he said, adding that the season was weeks - if not months - ahead of schedule. The unseasonably warm weather has impacted the entire Midwest, putting most apple farmers in the same situation. Some apples would survive a frost, but about 90% would be lost, Louis said. "Basically, we've got to break history," Louis said. "You can't change it. but you keep looking at the forecast and as long as it stays warm you can sleep a little easier." The weather is especially odd, given that last year's apple crop ran about 10 days behind schedule, Louis said.

Additional comment on warm weather—US (MI): Unprecedented weather brings fruit challenge

There have been concerns over the last few weeks that early budding trees might be caught out by a late frost. Now there are concerns that it won't be cold enough for the fruits to develop properly. The temperatures in Michigan have been averaging 40 degrees higher than is usual for several weeks now. Matthew Grieshop is an assistant professor at Michigan State University's Department of Entomology. He says the heat wave, along with a bumper crop of insects that didn't die over the winter and an eventual freeze, pose a triple threat to the state's fruit farmers. "This is pretty much unprecedented," Grieshop says. "It was back in the early 40's that we last had weather like this, and based on our experience, it looks pretty grim for the fruit growers." Grieshop says fruit trees are blooming almost a month early, but without cool nights, the fruit won't mature. Fruit farmers closer to the Great Lakes, Grieshop says, are typically somewhat insulated from the threat of a heavy freeze because the thermal mass of the water moderates the temperature shifts.

Peaches—US: Looking peachy for South Carolina growers

Things are looking peachy in South Carolina. The landscape in Greenville and Spartanburg is covered in the pink blossom of blooming peach trees. Desmond Layne, Clemson University peach specialist says that this year's mild winter should give peach production in the region a boost. He said that it will be ready earlier as a result, with his prediction being around 10 days in advance of the normal ripening. "That gives the growers here the first shot at the market for fresh fruit on the grocery store shelves," he said. "That's important because it enables them to position themselves and get the best prices for their fruit."

South Carolina is the nation's second largest producer of peaches, slightly ahead of Georgia, which is number three, and far behind California, which produced about 65% of total U.S. peaches. Broadly speaking, the South Carolina peach crop is worth between \$40 and \$60 million a year, with the bulk of that going to the big growers in the Ridge region. Spartanburg's growers concentrate heavily on the basket market, selling their fruit from stands clustered around major highway intersections and up and down Highway 11.

Due to the distances involved, California peaches have to be shipped in order to access the eastern markets, so the fruit is generally picked earlier. However, this means that the quality is not as good as the fruit is still slightly hard and does not contain as much sweetness. "The peaches tend to be harder and have lower sugar content," Layne said. "They look good, but to an uneducated consumer the eating experience with California fruit leaves a lot of people cold."

Layne said that the South Carolina peach crop was not out of the woods yet, however. "Of course there are still a number of things that could affect this year's crop," he said. "A freeze seems to be a distant possibility right now and once the trees get out of the bloom stage they are far less vulnerable. Other factors that could have severe local impacts are things like hail damage, or disease. Those are the kind of things that every peach farmer faces and they seem to relish the challenge."

Blueberries—US: Conditions good for Florida blueberry season

Lyna Knight is expecting a long spring. It's certainly started early, with some of the blueberries at Lyna Berry Farms ripened two weeks ahead of schedule. This is thanks to a mild winter, with no severe freezes, in Hillsborough County. But it is the post season bounty that Knight is focusing on. Typically Florida has the monopoly on blueberries from late March until early May, between the end of the Chilean season and the start of the Georgian harvest. In that brief window the state produces the world's only blueberries. However, this year the conditions elsewhere have not been so good, whilst in Florida they have been very good, so the expectation is that the window for this monopoly will grow. As well as having fruit ready earlier than usual it appears as though there could be a continuation of supply until late May, when the Georgian berries would ordinarily be entering the market. This would take the Florida fruit into the period when farmers usually open up their fields to the public for the less lucrative "pick your own" market.

A February freeze damaged many of the crops in northern Florida and southern Georgia, reducing crop sizes and delaying remaining blueberries by a couple of weeks, said Bill Braswell, president of the Florida Blueberry Growers Association. "I-4 was kind of the line where it didn't get too cold," he said. "As you go north, it just gets progressively worse." "Overall, we are anticipating a good season," Knight said. "Unfortunately, it is based on somebody else's loss. But that's farming." Chile also finished its season earlier than usual, ensuring that the conditions are perfect for the Florida fruit. The shortfall in supply will also ensure good prices for the growers. This is good news for Florida growers who have had a couple of bad years. "The last two seasons haven't been that great for blueberries," Braswell said. "We more or less missed our market window due to weather."

Blueberries

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

2012 NORTH AMERICAN BLUEBERRY HARVEST PROSPECT

FLORIDA – Freeze damage on February 12/13 took a toll, with some forecasting only 15mm pounds, down from 2011's reported 23mm. The damage is most significant north of I-4 and into southeast Georgia. This production is 95% to fresh market, prices anticipated to be robust in juxtaposition with Chile's early finish.

GEORGIA – The same freeze damage significantly reduced the southern highbush forecast, primarily impacting fresh market production. Rabbit eye fared much better, the frozen pack forecast is similar to 2011.

NEW JERSEY/NORTH CAROLINA – Normal harvest expectation today; although early bud development similar to Michigan.

MICHIGAN/GREAT LAKES– the warm winter has advanced crops significantly increasing the risk of damage from cold spring weather. Here is a picture from Michigan taken March 13. Bud development is advanced and warm weather persisted to the 18th. The typical last frost date in Michigan is May 10.

CALIFORNIA – Prospects for a very good harvest with high proportion to fresh market. 2011 reported record production of 42mm pounds, 11mm to process market, the first significant frozen pack. Fresh market anticipation is strong due to SE production, reducing the expected frozen pack.

NORTHWEST – Harvest prospect is good with growth expected from new acreage.

WILD/LOWBUSH – Little to report, although there has been lack of winter snow cover in all areas except Quebec; typically this suggests winter damage although the mild winter may mitigate the impact.

2012 CHILE HARVEST UPDATE

The Chilean Blueberry Committee is anticipating a fresh market harvest of 156mm pounds and 66mm pounds to the freezer; a forecast very similar to 2011’s production. The October 2011 anticipation of a 20/30% increase has not materialized, largely due to weather impact. The 2011 frozen pack exported is about 60mm pounds; the 2012 pack may be similar although the sales to Asia have increased decreasing exports to North America. Prices are \$.10 to \$.20 less than 2011 but generally stable through the selling period.

USDA Cold Storage Report – January 31 2012 – (report better understood as an index not as actual storage pounds)

USDA Cold Storage Report			
January 31			
(mm pounds)			
Holdings Reported			
2011	2012	Variance	
104	124	20	19%
Movement - January			
-12.4	-13.3	0.9	
Movement - From High report			
-59.0	-51.0	-8	-14%
To '11 Low point of 51mm			
-53.0	-73.0	19	38%

USDA Cold Storage Report			
Region Comparison			
January 31			
(mm lbs)			
	2011	2012	Variance
New England	17	14	-3
Mid Atlantic	6	6	0
EN Central	44	39	-5
S Atlantic	4	7	3
Pacific	30	55	25
All Other	3	3	0

The report is tracking 20% greater than prior year; of particular impact is the potential low report. To achieve the 2011 low report on May 31, 2011 of 51mm pounds requires an increased outflow of 19mm. Is there any “magic” in the 51mm pounds? No, but historically cold storage has equal if not greater impact on new crop pricing as the production forecast.

NORTH AMERICAN BLUEBERRY 2011 PRODUCTION REPORT – reported by North American Blueberry Council - February 2012

BLUEBERRY 2011 PRODUCTION REPORT					
MILLIONS POUNDS				2010	% Chg
REGION	FRESH	PROCESS	TOTAL	Total	vs PY
WESTERN	153	116	269	211	27%
MIDWEST	38	42	80	112	-29%
NORTHEAST	51	15	66	46	45%
SOUTHERN	94	38	132	120	10%
N.A.	336	211	547	489	12%
Argentina	38	10	48	34	41%
Chile	153	60	213	132	61%
S.A.	191	70	261	166	57%
W.Hemisphere	526	281	807	655	23%
Wild	2	225	226	178	27%
Grand Total	528	506	1,033	832	24%
2010 Type	443	390	832		
% Chg PY	19%	30%	24%		

BLUEBERRY GROWTH RATE BY REGION			
Cpd Average Growth Rate 2006 to 2011 [®]			
REGION	FRESH	PROCESS	TOTAL
WESTERN	24%	10%	17%
MIDWEST	5%	-8%	-3%
NORTHEAST	3%	9%	4%
SOUTHERN	18%	13%	16%
N.A.	15%	5%	10%
Argentina	18%	no base	25%
Chile	29%	67%	35%
S.A.	26%	74%	33%
W.Hemisphere	26%	11%	19%
Wild	-6%	2%	2%

[®]CAGR - Compound Average Growth Rate

2011 – What a year!! Need more be said!

For perspective check out six years of history

Western Hemisphere - Wild and Highbush			
Million pounds			
Year	Fresh	Process	Total
2006	170	367	537
2007	249	373	622
2008	307	443	749
2009	387	414	802
2010	443	390	832
2011	528	506	1033

MARKET PERCEPTIONS

Frozen blueberry prices have remained remarkably stable since August/September, above my October anticipation. Argentina and Chile prices are reported less than 2011, but generally \$.10-.20 per pound. Chile sales are strong to Asia, and with a similar pack to 2011, the exports to U.S. and Canada will be reduced. Generally users are reporting movement as expected although there are exceptions. There is product available either in first hands or through resale meeting the needs of most buyer's needs. There exceptions when very specific specification is required. Generally trading has been in the \$1.50 to \$1.75 the last three months, largely dependent upon the specification and location. Increasing fuel prices are clearly being reflected in the fob price based on location of product.

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