Weekly Commodity Markets Review

From: Joe Schmidt Date: March 9, 2012

Global recession fears waned a bit with the latest Greek debt "fix" satisfying enough to global traders that EU debt offerings found surprisingly good demand and the EU itself is refocusing to "growth" strategies from fixation on spending cuts.

A surprisingly somber U.S. economic outlook from Fed Chairman Ben Bernanke raised doubts about Fed commitment to keeping interest rates near zero through 2014 as earlier promised and dispelled thoughts of another fiscal "stimulus" via quantitative easing of the U.S. money supply.

Friday morning, U.S.D.A. released their 2012 crop production & supply/demand report—as a result, prices will move higher for soybeans, soymeal and soy oil while lower for corn, oats, rough rice, Minneapolis, Kansas City and Chicago wheat.

Global wheat production is estimated "up" 1.1 million tons and ending stocks fell 3.5 million—a relatively "neutral" finding. U.S. ending stocks were cut 20 million bushels, due to higher exports (+25) and lower food usage (-5). At 825 million bushels, the U.S. carryout was 14 million below trade expectations.

U.S. soybean carryout was reported "unchanged" although above the average trade estimate. But U.S.D.A. cut global soy production by 6.4MT and stocks by 3MT.

U.S.D.A. left their U.S. corn stocks estimate unchanged, but above the trade average. Global production was revised up 900,000 tons, and stocks down 800,000 tons—i.e. "neutral".

Even so, this morning's report is not expected to be much of a market changer—as the end of the month stocks and intentions report (March 30) trumps all.

U.S. unemployment figures released this morning were unchanged at 8.3% (+227,000 jobs). Trade expected to be neutral to mixed on numbers. The U.S. dollar rallied and crude petroleum is higher. Gold is mixed.

Flour Markets:

U.S.D.A. put the global figure at 209.58 MMT and the U.S. at 825 million bushels—down from 850 last month and expected to pressure prices slightly higher.

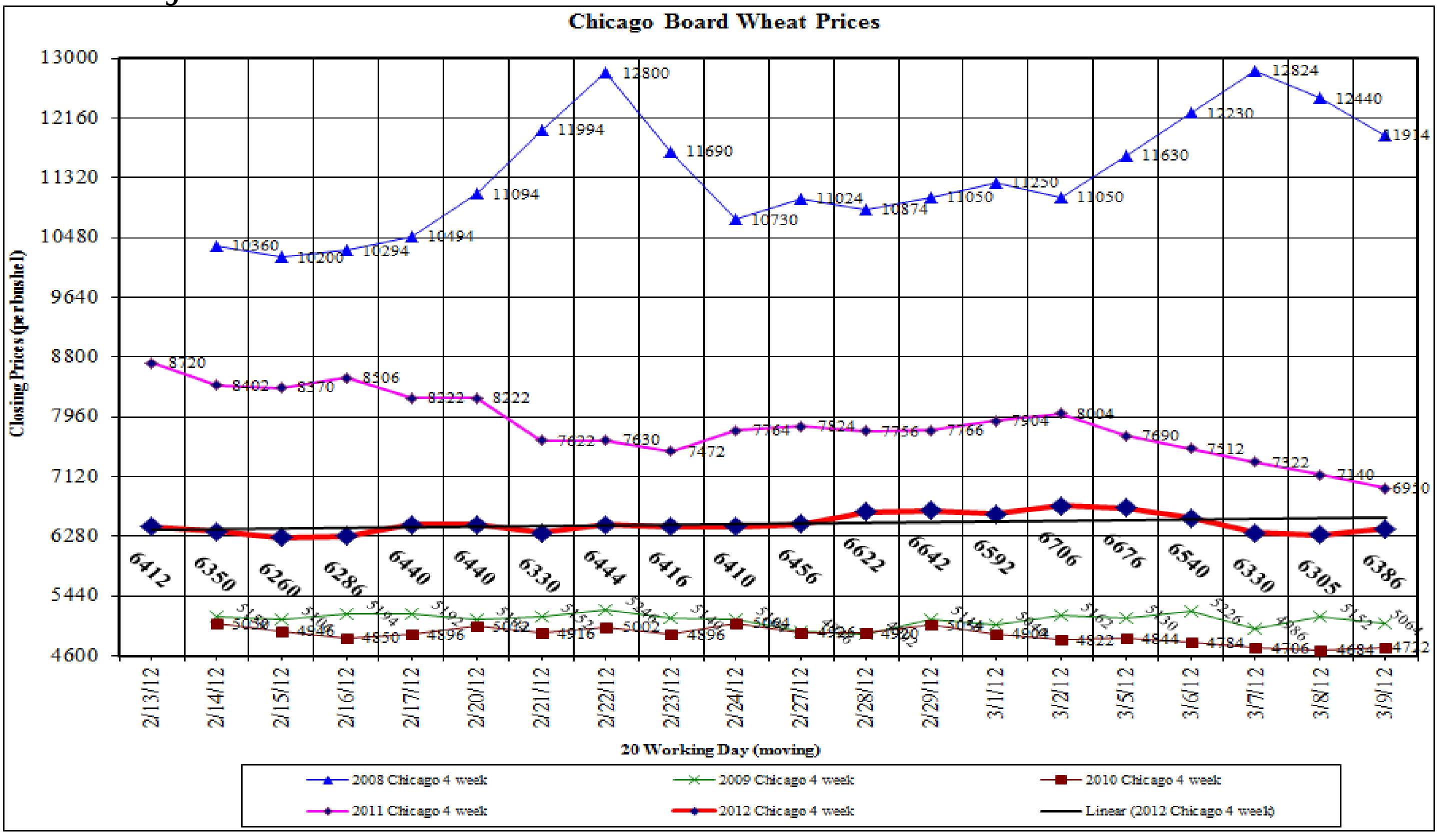
Wheat futures dropped this week. Basis levels on the high protein spring wheat are lower this week as the high protein winter wheat basis remained steady. The stronger U.S. dollar lead to selling in most commodities markets which helped corn and soybeans move lower this week. U.S. wheat is the lowest in the world which should create demand in the export world.

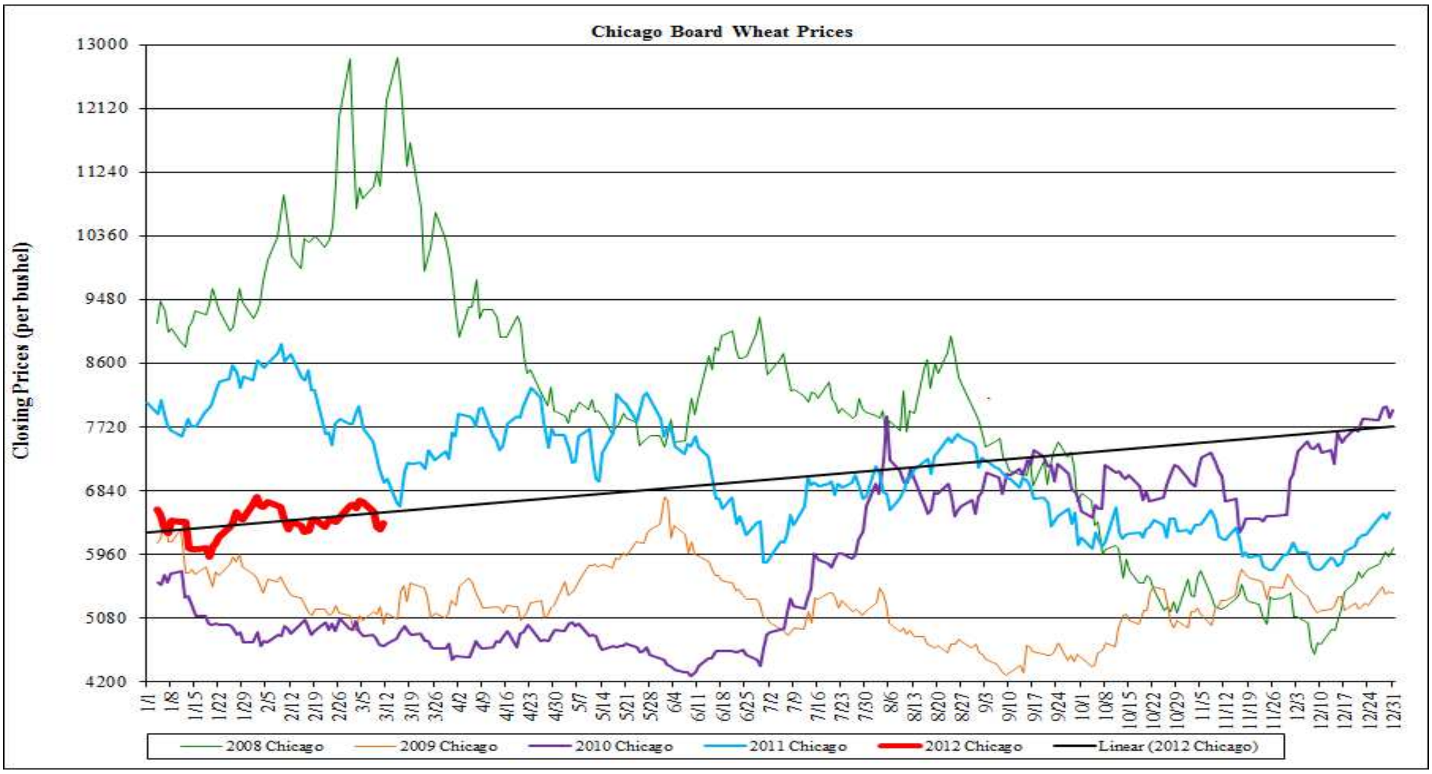
HRW wheat production in the Southern Plains needs rain but areas remain in an abnormally dry to exceptional drought stage although the Dallas area is getting rains. The 8 to 14 day forecast is calling for above normal precip from the Northern Plains including all states south into Texas covering the entire state. Winter wheat conditions have improved this week in Texas and Oklahoma with crop conditions better than a year ago at this time. Improved weather forecasts in the 6 to 14 day models for some of the drought areas of TX, OK and KS are calling for above normal moisture from March 11 through the 25th. The extreme western portions of those states are looking for normal moisture for this time of year. Moisture is key to keeping crop conditions favorable. Temperatures are forecast to be way above normal for all but the western seaboard states during the same period.

The winter-wheat crop will emerge from dormancy this month across the southern areas of the U.S. Expect above-average abandonment of the hard red winter crop due to excessive dryness during the winter months. This abandonment will, in turn, provide some support for May CME wheat in the $6.00 area and sets the stage for a spring rally into the $6.90 area. Support in May Minneapolis is seen at $7.50.

Weekly export inspections were better than last week by about 6.7 million bushels, but 4.7 million bushels smaller than the same week a year ago. Shipments since June 1 are now 141.7 million behind year ago. The Texas state crop report showed 33% of the crop still in good or excellent condition, while 39% is rated poor or very poor. Crop ratings declined in the OK and KS state reports. Unseasonably warm, dry winds through most of this week are supportive to KCBT futures. Concerns U.S. wheat is breaking dormancy too early due to mild winter. In addition, strong winds have created a rapid dry down in top soil moisture.

a. Chicago Board Wheat Prices

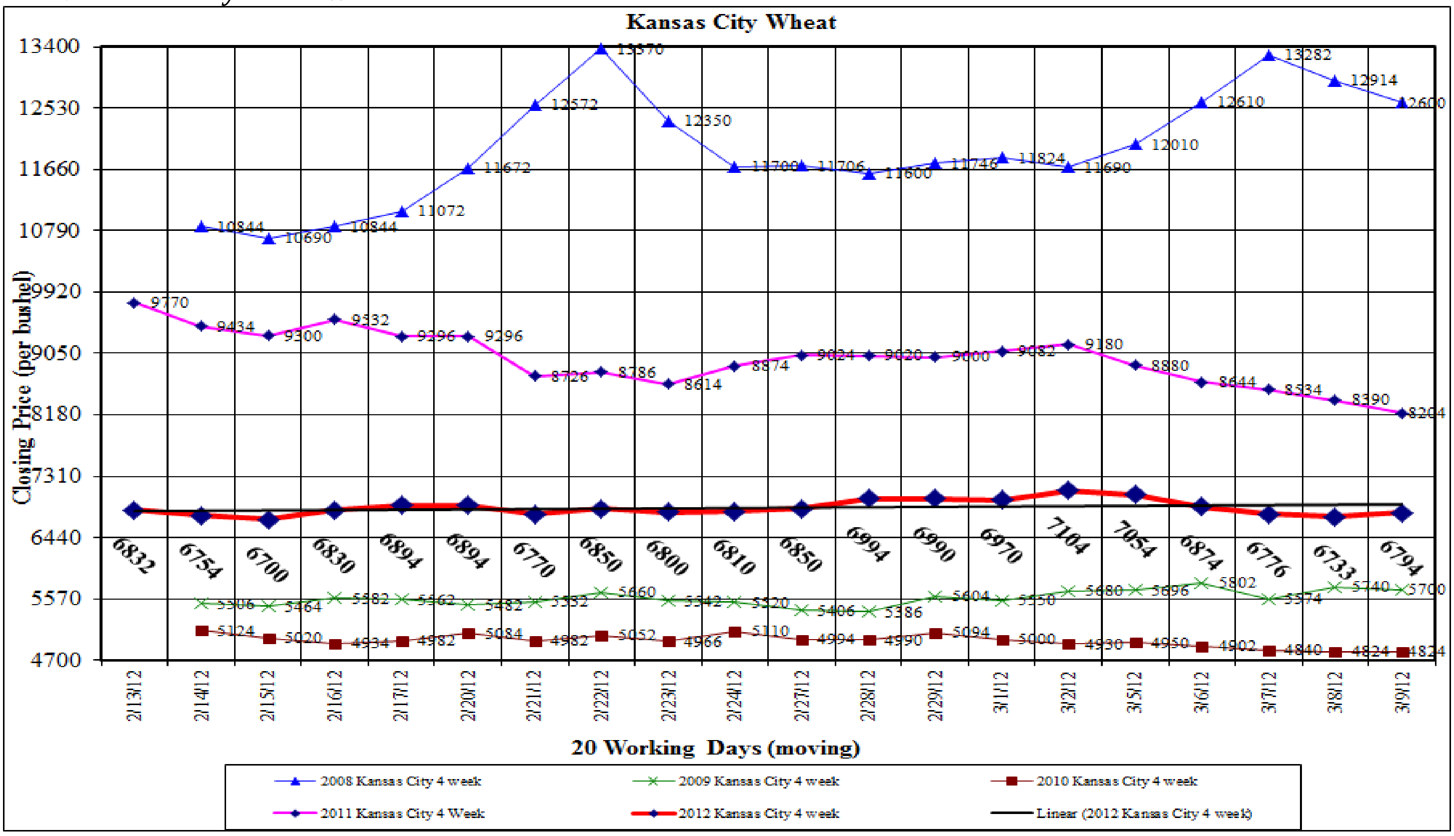


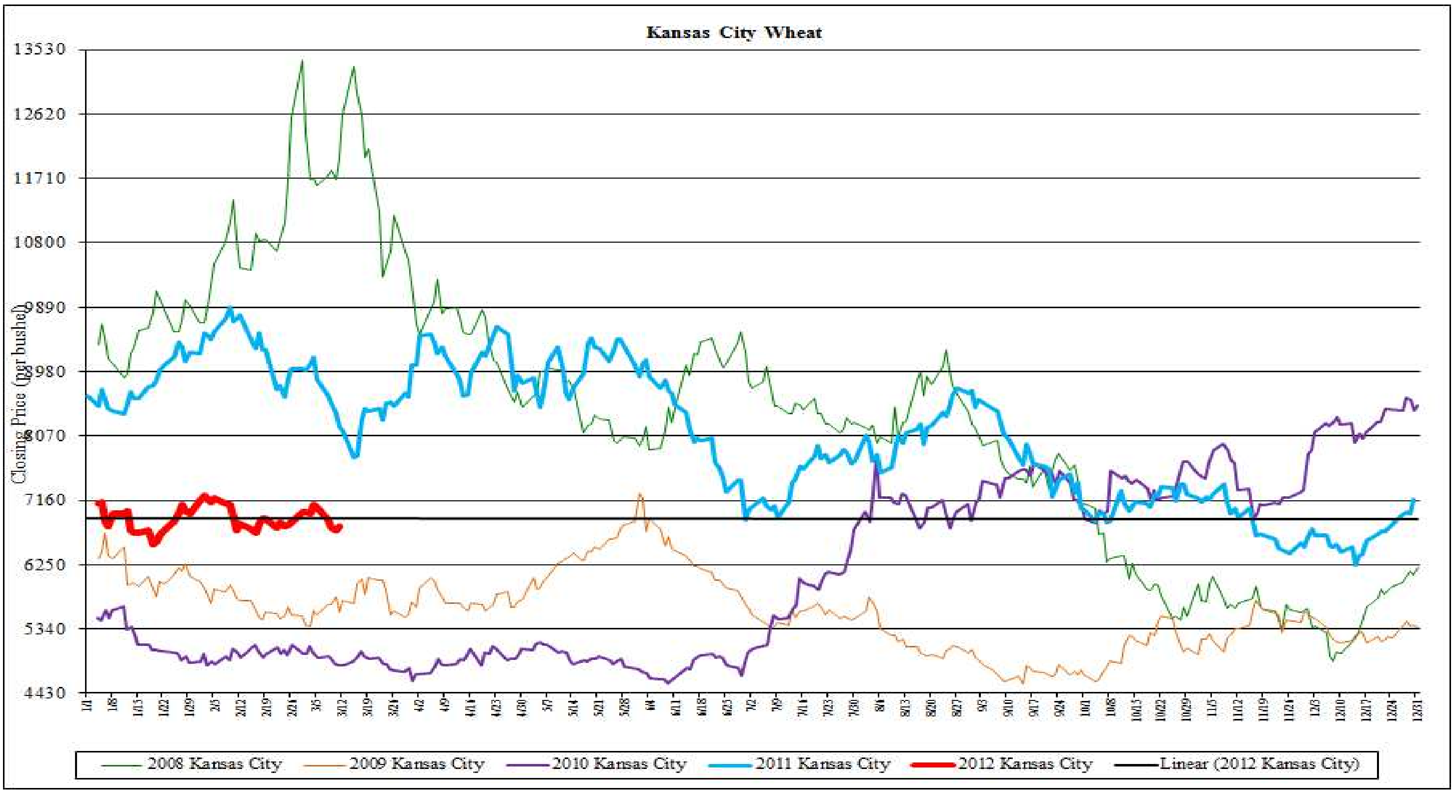


The Chicago Board chart above shows the price activity for the last 20 working days (one full period). Flour made from the wheat traded on this board includes **CAKE AND PASTRY** flours.

Cake and Pastry flour closed down $0.74/cwt from last Friday's close.

b. Kansas City Board Wheat Prices

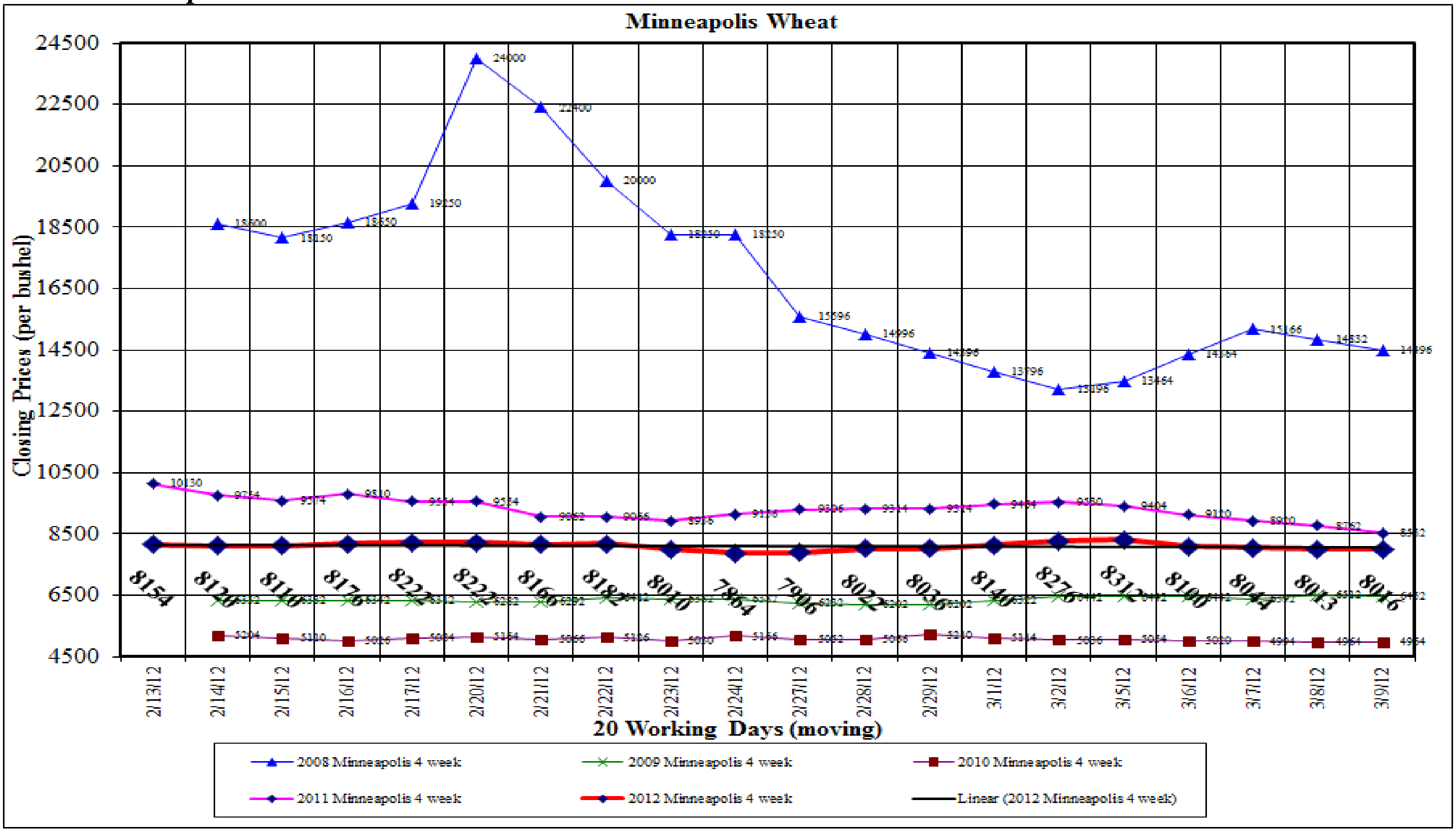


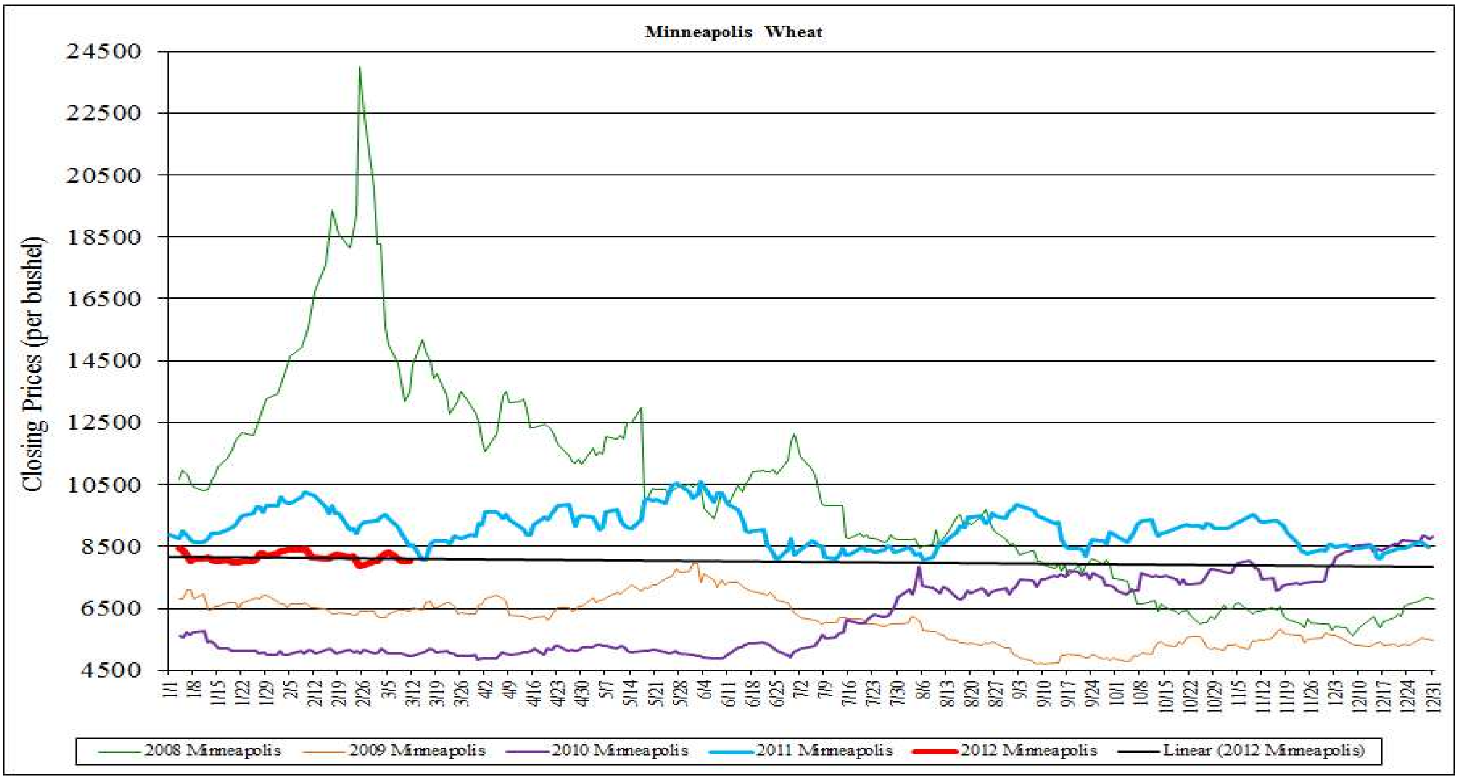


Kansas City Wheat is used to make **Hard Red Winter Patent flours (white pan bread) and H&R flours.**

Hard Red Winter wheat flour closed down $0.71/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 $0.60/cwt. off last Friday's close.

Shortening Market:
This morning, U.S.D.A. reduced its Brazilian soybean production to 68.5 MMT down 3.5 MMT from last month. Argentina production was down 1.5 MMT to 46.5 MMT. They lowered projected world ending stocks to 57.30 MMT from 60.28 in the February report. Argentine ending stocks are estimated at 19.95 MMT versus 21.40 last month. Brazil ending stocks are estimated by U.S.D.A. at 14.73 MMT down from 16.03 MMT in the February report. Analysts had anticipated the U.S.D.A. would drop global ending stocks to 57.758 MMT, so that estimate is somewhat bullish on the surface. The trade was looking for a reduction to U.S. ending stocks to 260 million bushels. U.S.D.A. left the actual figure at 275 million bushels, unchanged from the February report. U.S.D.A. did raise the on farm price 30 cents on both ends.

Soy bean price movement will heavily depend on South American supply estimates and U.S. export demand. Expect May soybeans to remain in a $12.50-13.75 trading range. The November new-crop contract is expected to decline back to the $11.20-11.50 area if the U.S. planted acreage reaches 76 million acres.

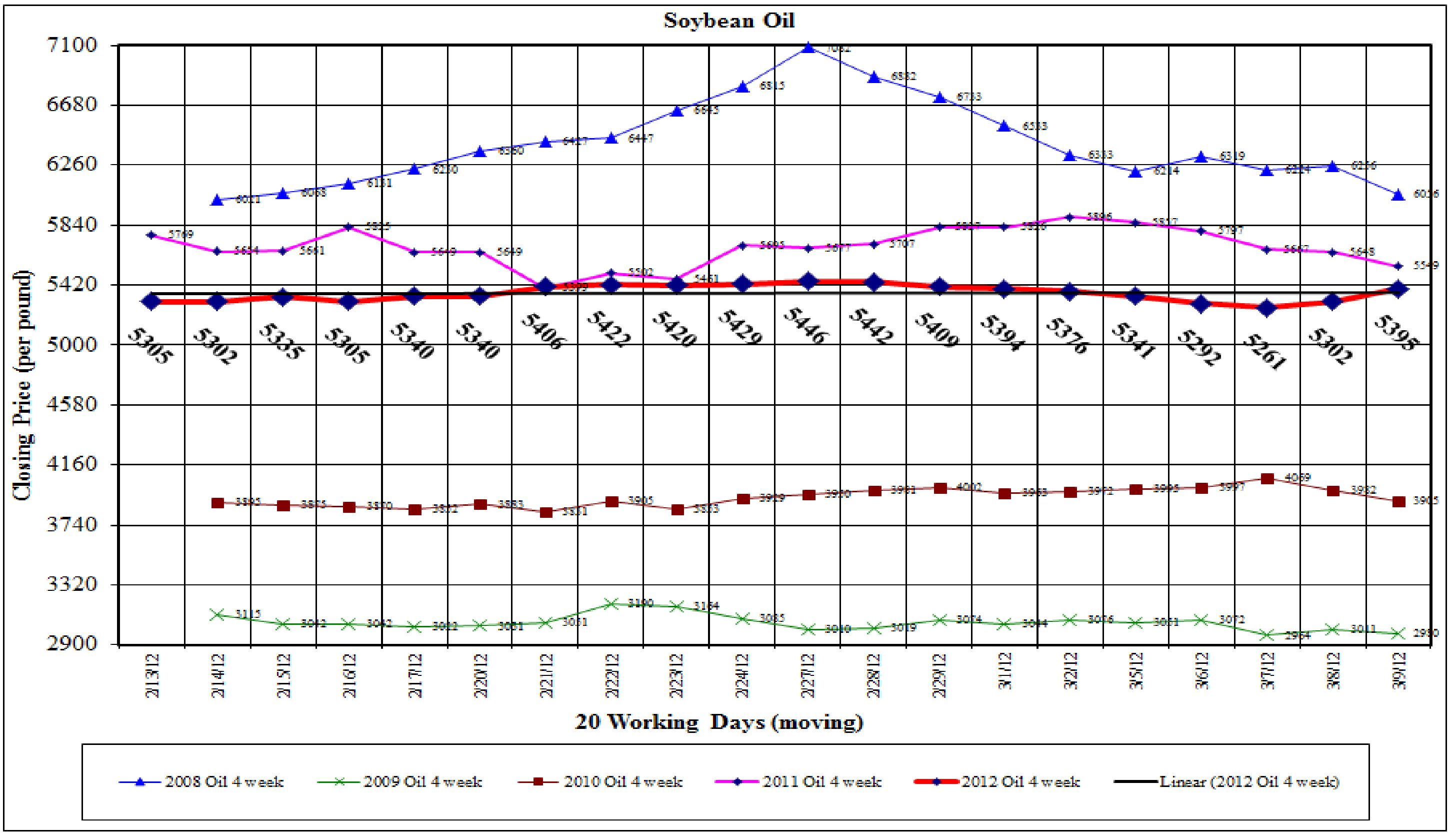
Rising corn prices have soybean users worried about 2012 acreage. Though everyone anticipates a significant increase in corn acreage, supply/demand balance sheets show soybean acreage needs to hold steady to avoid seriously tight ending stocks for the 2012/2013 marketing year. Thus, soybean futures are in a bit of a “bidding war” for acreage share this spring. 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.

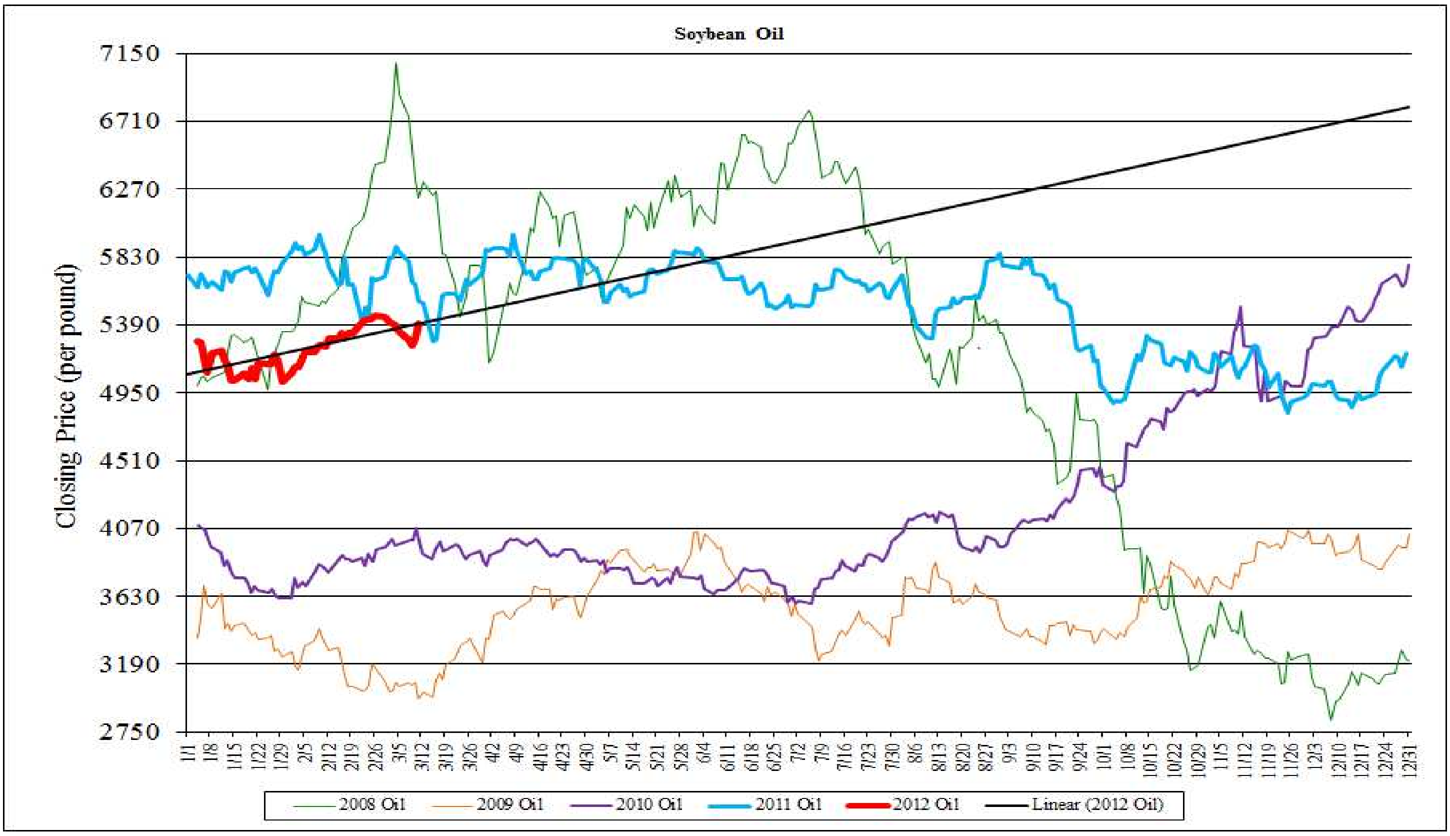
Cumulative export shipments for the marketing year are 272.9 million bushels behind last year at this time.

Brazilian soybean harvesting is now estimated to be 38% completed. Continued crop stress for Brazilian soybeans will sustain strength in soybean futures until crop estimates stop declining.

May soybean oil resistance is seen at $0.5553/lb., with support at $0.522/lb.

Shortening closed up $0.10/50# cube ($0.07/35# pail of oil, $0.0021/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)
5305
5302
5335
5305
5340
5340
5406
5422
5420
5429
5446
5442
5409
5394
5376
5341
5292
5261
5302
5398


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

Cocoa Market:

Near week's end, cocoa futures posted a strong rally—following four previous sessions where cocoa closed lower than it opened. This is the first traditional buy signal cocoa has given since the trend changed to the upside (February 23rd) in this range-bound market. Cocoa was able to surge through some strong resistance.

A more positive macroeconomic tone around the market adds support as does the Ivory Coast cocoa season's totals, which are still behind last season's pace. Reports of delays for the upcoming mid-crop harvest because of this season's excessive dry conditions may cause supply tightness providing additional support to cocoa prices during the next few months.

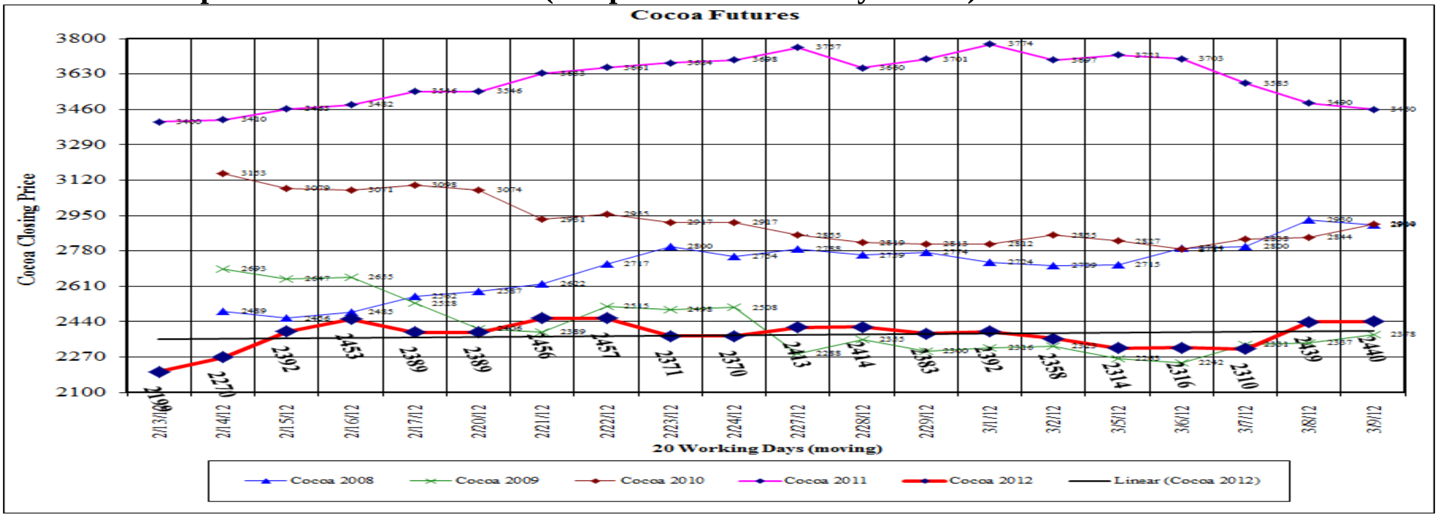
Recently, there have been concerns about a lower West African production resulting from bad weather over the past several weeks and disease issues in the Indonesian crop that have been supportive to the Cocoa market. The nearby contracts are gaining on deferreds, and they will continue to do so through April—turning from a carry market to an inverse (as the cocoa market has done in the last few years during this period).

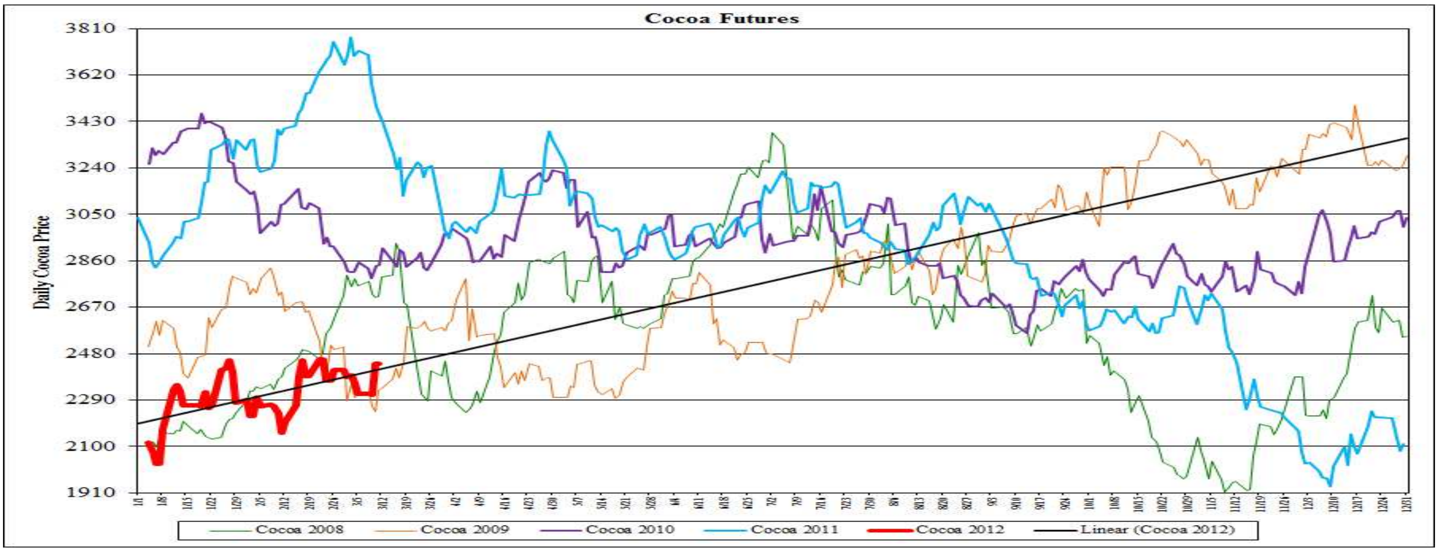
These major producing countries, Ivory Coast and Indonesia, account for 50% of world production and are entering the flowering stage, which is critical for yield development.

Along with this prospect of crop issues, Guillaume Soro, the former Ivory Coast rebel leader who became prime minister, resigned his position, along with the rest of the government. The smaller of two harvests in the country may drop 26% from a year earlier, Ecobank Transnational Inc. (ETI) said on March 6.

This political turmoil and prospects for smaller crops could cause the spreads to narrow.

Cocoa closed up $82.00/ton for the week (compared to last Friday's close).





Sugar Market

Concerns are being raised about potential delays in the start of the harvest in center-south Brazil. Long-term fundamentals for world sugar remain bearish as market continues to expect a growing surplus.

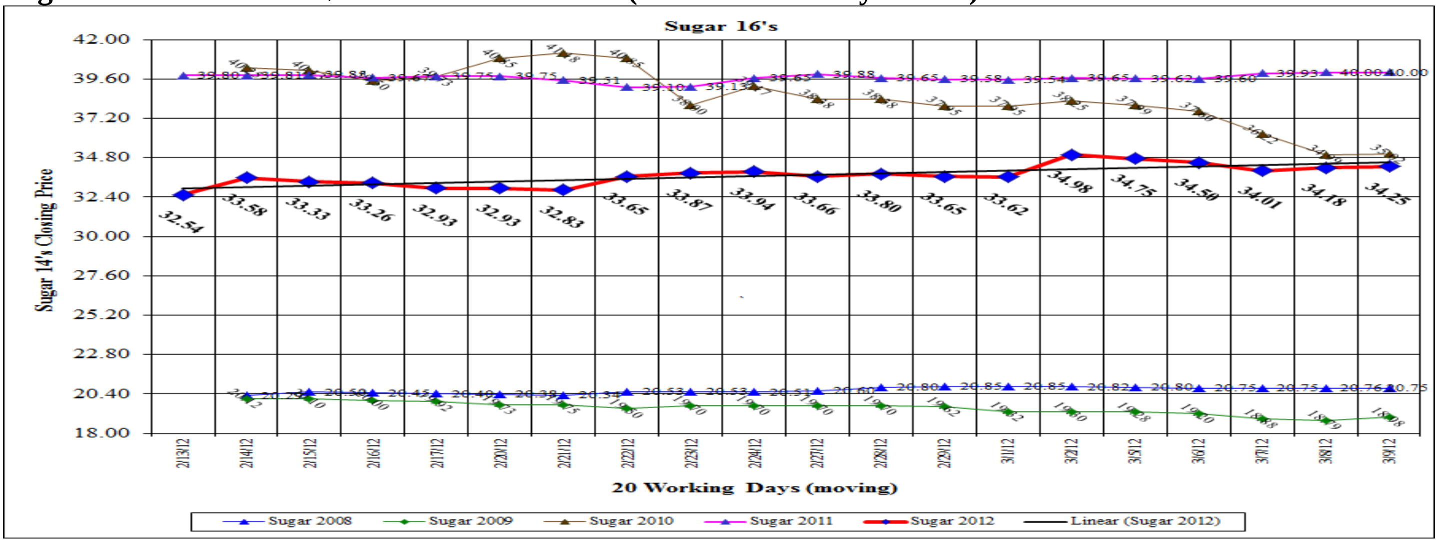
The U.S. domestic sugar market has several conflicting factors:

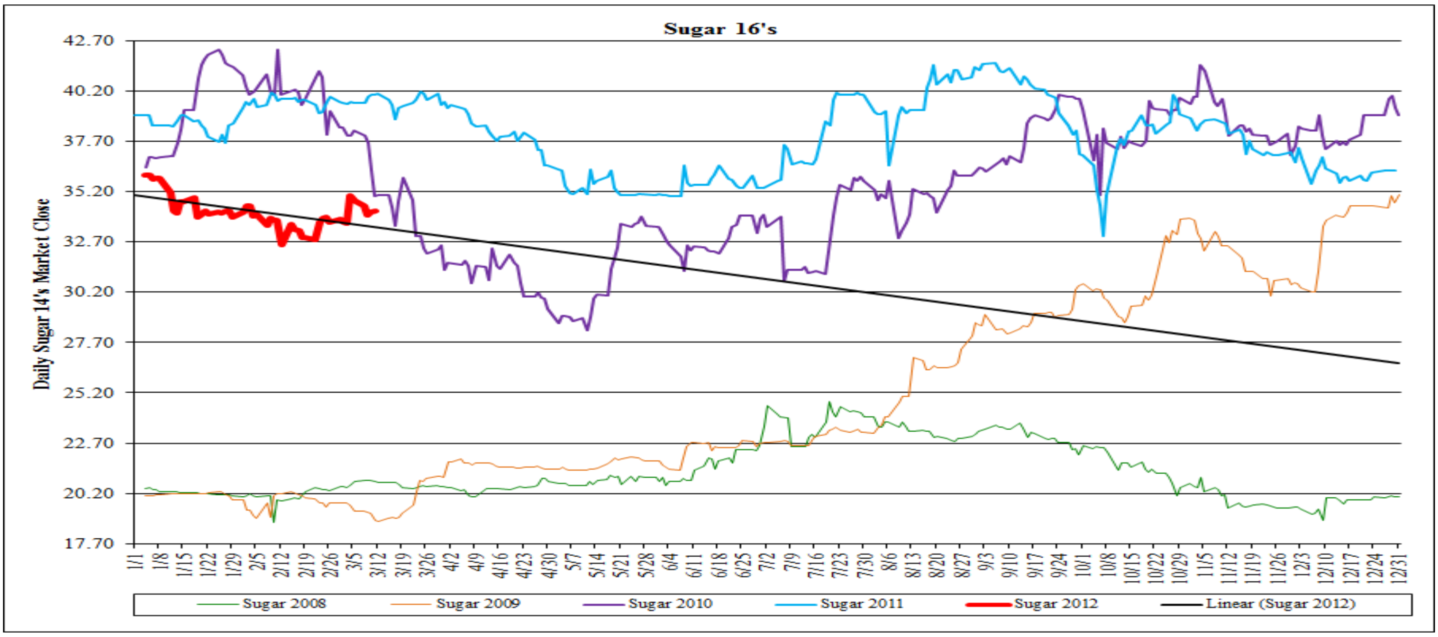
- Both Cargill and Imperial's cane refineries are being running below capacity.
- The U.S. market has plentiful supplies of raw sugar.
- Mexican imports are projected to decline this year due to drought there.
- U.S.D.A. is expected to increase the TRQ on or about April 1.

American Crystal Sugar continues to operate with replacement workers. U.S. supplies of sugar are adequate for now, but expect supplies to tighten as we approach the third quarter (JAS). **Price Outlook**: Near-term U.S. sugar prices are on the defensive, but the U.S. balance sheet remains tight which foreshadows higher prices in the future.

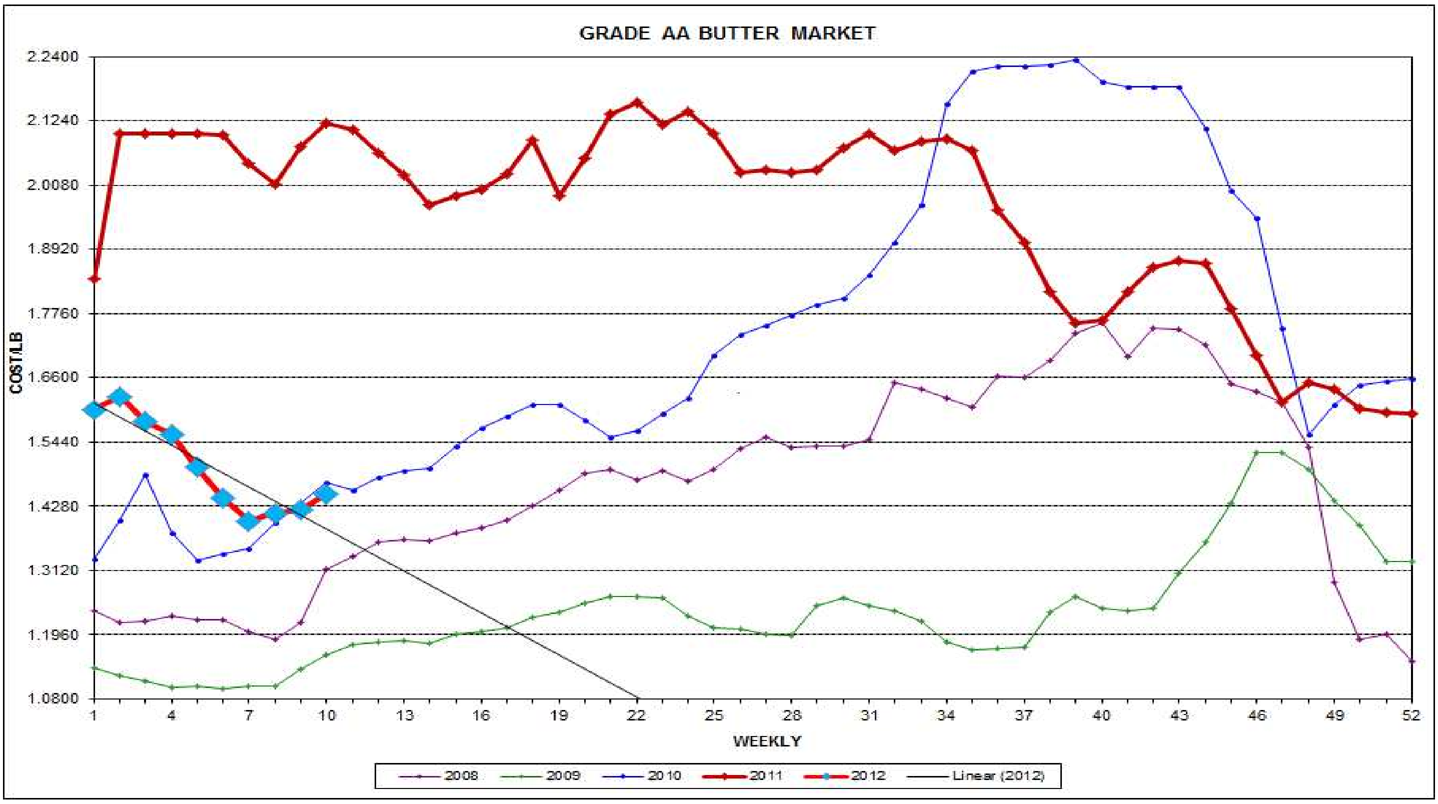
May sugar closed consistently lower each day this week after touching a high not seen since mid-January (last Friday). Prices closed nearer the session low again today and hit another fresh two-week low, on more profit taking. Bulls are fading. The key "outside markets" were bullish for sugar yesterday, as the U.S. dollar index was weaker while crude oil prices were higher. Yet, sugar sold off anyway, which is a bearish clue for sugar.

Sugar 16's closed down $0.73/cwt for the week (versus last Friday's close).





Butter Dairy Market



Score AA butter closed "no change" on Friday, ending the week at $1.45/lb. The weekly average is $1.45/lb. up $0.0295/lb. from last week's average.

A. Butter Market

Butter prices have stabilized this week with the close at $1.4500 on Friday. The market tone is steady to firmer as demand has improved for bulk and print butter. Print orders have improved for retail accounts, with special pricing being offered. Food service accounts are taking steady to slightly higher volumes of butter. With wholesale prices lower than a year ago, attractive retail prices are expected to clear additional butter. Demand for bulk butter is fair and clearing more stocks as buyers look to fill current needs and others are willing to obtain stocks at what they sense are favorable pricing levels. The leveling off on the wholesale pricing also has stimulated buyers' interest from those who had been waiting for a good market price level. Butter production remains active and heavy. There are strong milk and cream supplies in all regions of the country. Transportation costs have been increasing and finding tankers to move cream has been more challenging. Cream demand has improved for other cream-based products ahead of holiday needs. In January 2012, U.S. butter production totaled 180.6 million pounds, up 8.5% or 14.2 million pounds from a year ago. This week, the Cooperatives Working Together (CWT) program accepted requests for export assistance to sell 5.03 million pounds of butter with delivery of product from February through June 2012.

B. Dairy Powders

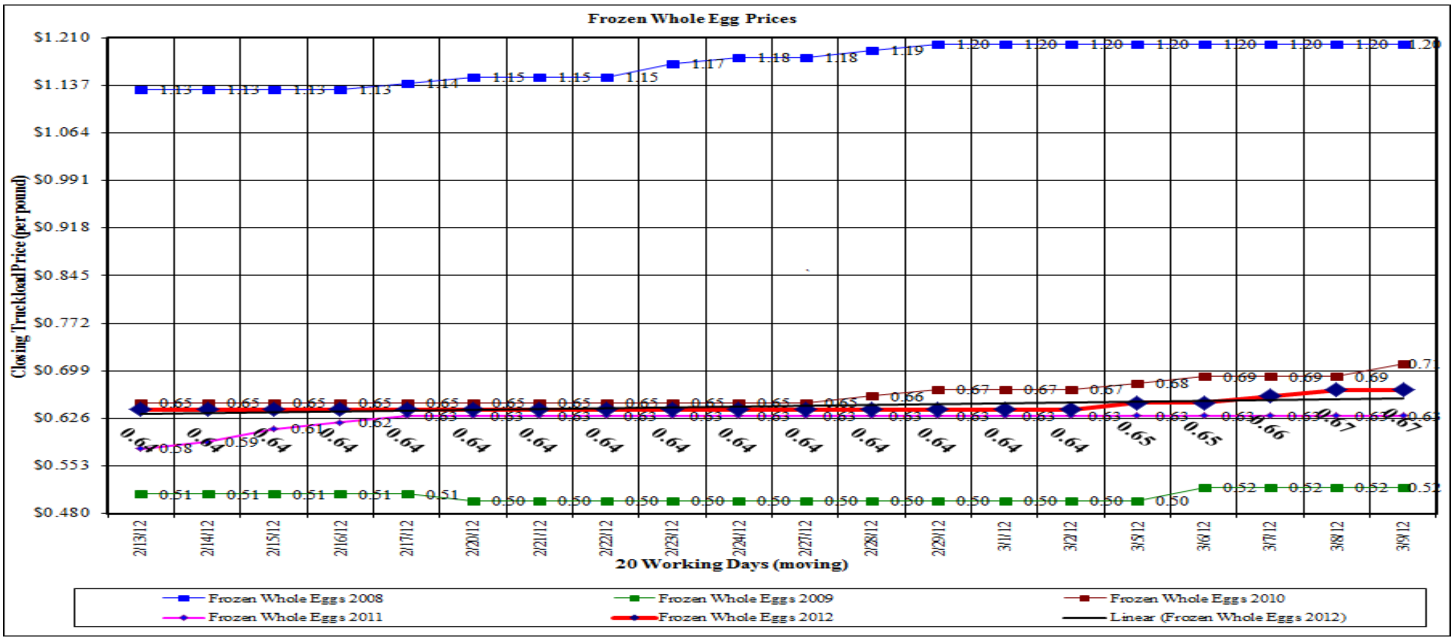
Nonfat dry milk market prices are trending lower amidst a weaker market tone. Production levels are strong to process the heavy milk supplies. Demand remains weaker as both domestic and international buyers assess their needs against the current market directions. Dry buttermilk pricing levels are moving lower in a weaker trend. Supplies are moderate to heavy for current trade needs. Drying schedules are moderate to heavy. Dry whey markets are highly unsettled with prices trading across a wide range. With heavy cheese production and some producers making additional whey, offerings of dry whey are heavier. Whey protein concentrate 34% prices are declining in a market characterized with uneven demand; better into food applications and weakest into feed sectors. Lactose market prices are unchanged with a steady trend heading into second quarter contracts.

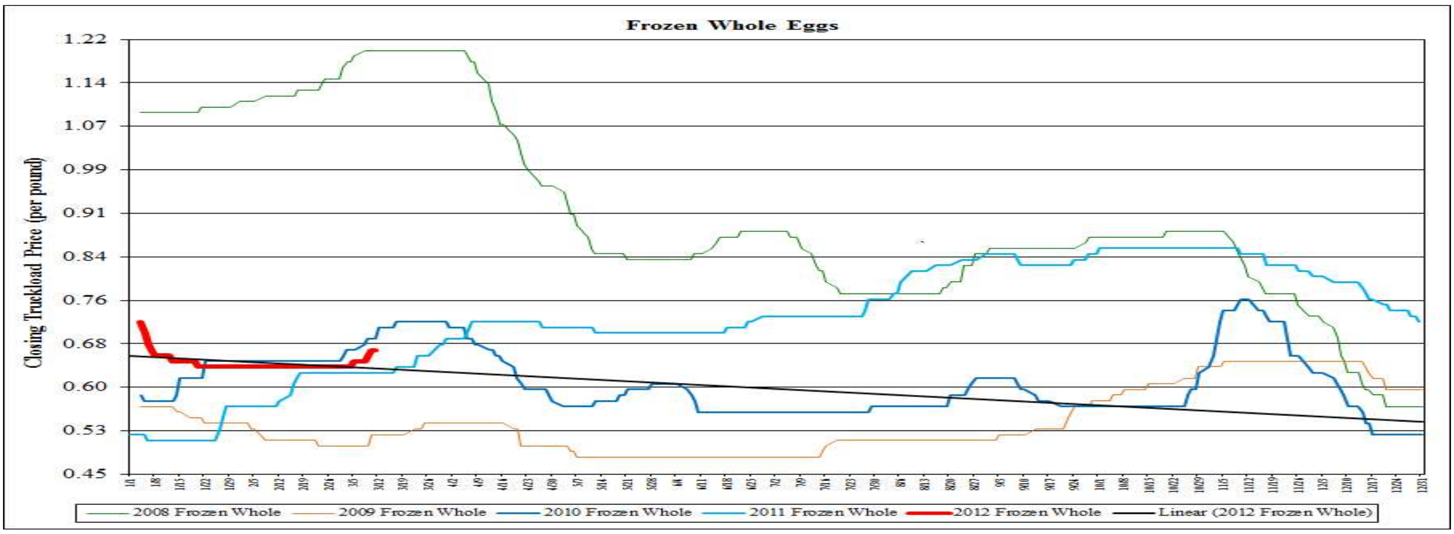
Eggs

The February average price for large table eggs was $1.07/dozen, down 29% in the past two months. The February average price for breaking stock was $0.48/dozen, also down 29% from December highs. It is expected that returns over feed costs will exceed the long-term average for most of 2012. The February 1st table egg supply flock was 283.8 million layers, up half a percent from last February and above the projected annual average 282.2 million layers. February Egg-type layers were up 4.3% YOY to 2.97 million birds—the highest since October. Egg-type egg production was up seasonally in February, and was up 4.2% YOY. The laying flock and other "pipeline" indicators continue to show that the industry is poised to be adaptable (modest growth with ability to make relatively rapid cutbacks) through the end of the year and into 2012. Table egg production during January (on a 30-day basis) was up 0.7% YOY; total production is forecasted to be 1.8% higher in 2012 versus 2011, which should put downward pressure on egg prices. Expect large table eggs to average $1.13/dozen in 2012, down 5.3% from last year. This includes a low in June of $0.96/dozen and a high in December of $1.42/dozen. Breaking stock price is forecast to average $0.54/dozen in 2012, down 16% from 2011. This includes a low in June of $0.45/dozen and a high in November of $0.69/dozen.

The egg products market remains active. Movement of liquid whole egg—both certified and standard—is occurring at premiums and forcing markets higher. Stronger interest is noted for yolk than for whites at the moment, but transactions are occurring within current market quotes. Dried whole egg is trending higher, as sellers look to cover the rising cost of raw material. Export interest is growingly present in all categories, particularly for dried yellow product.

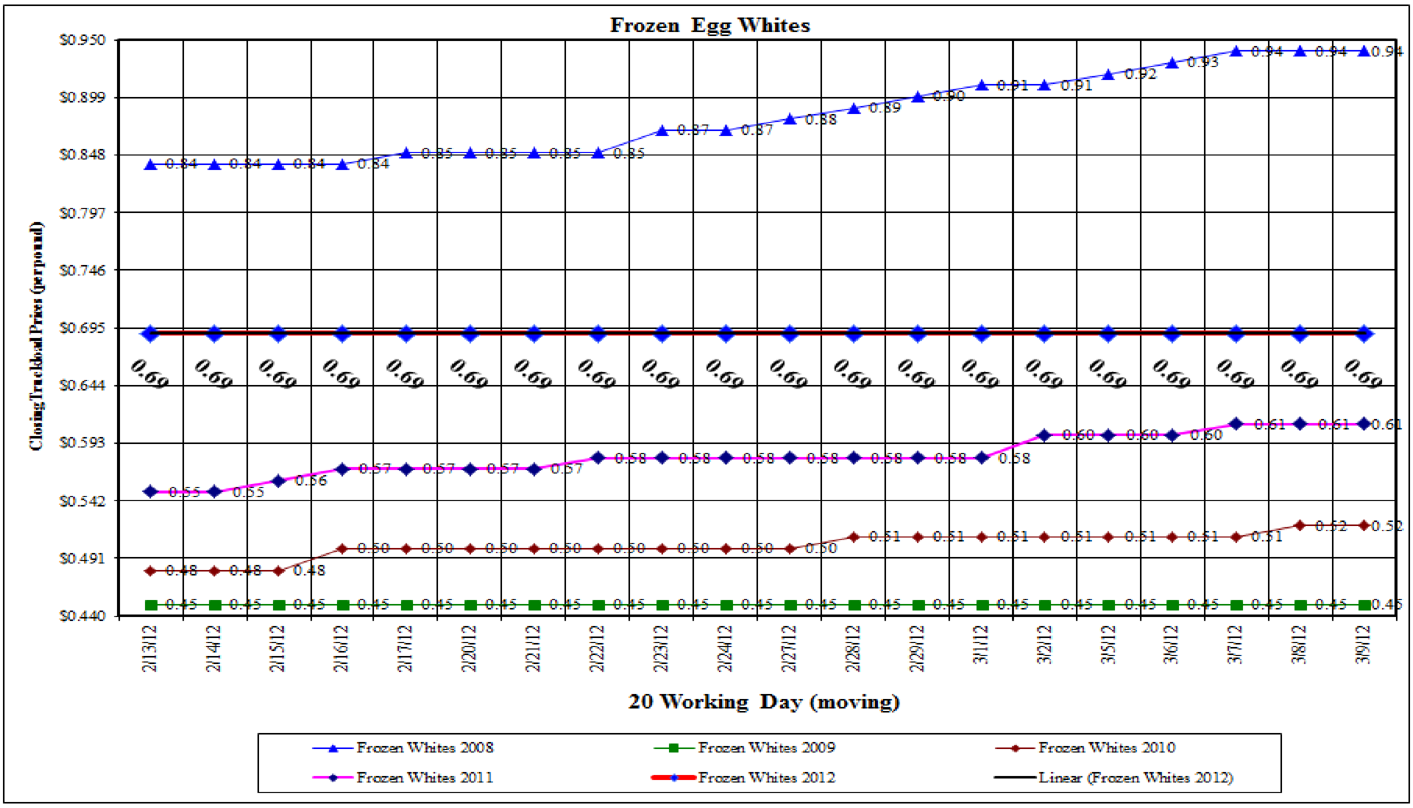
a. Frozen Wholes

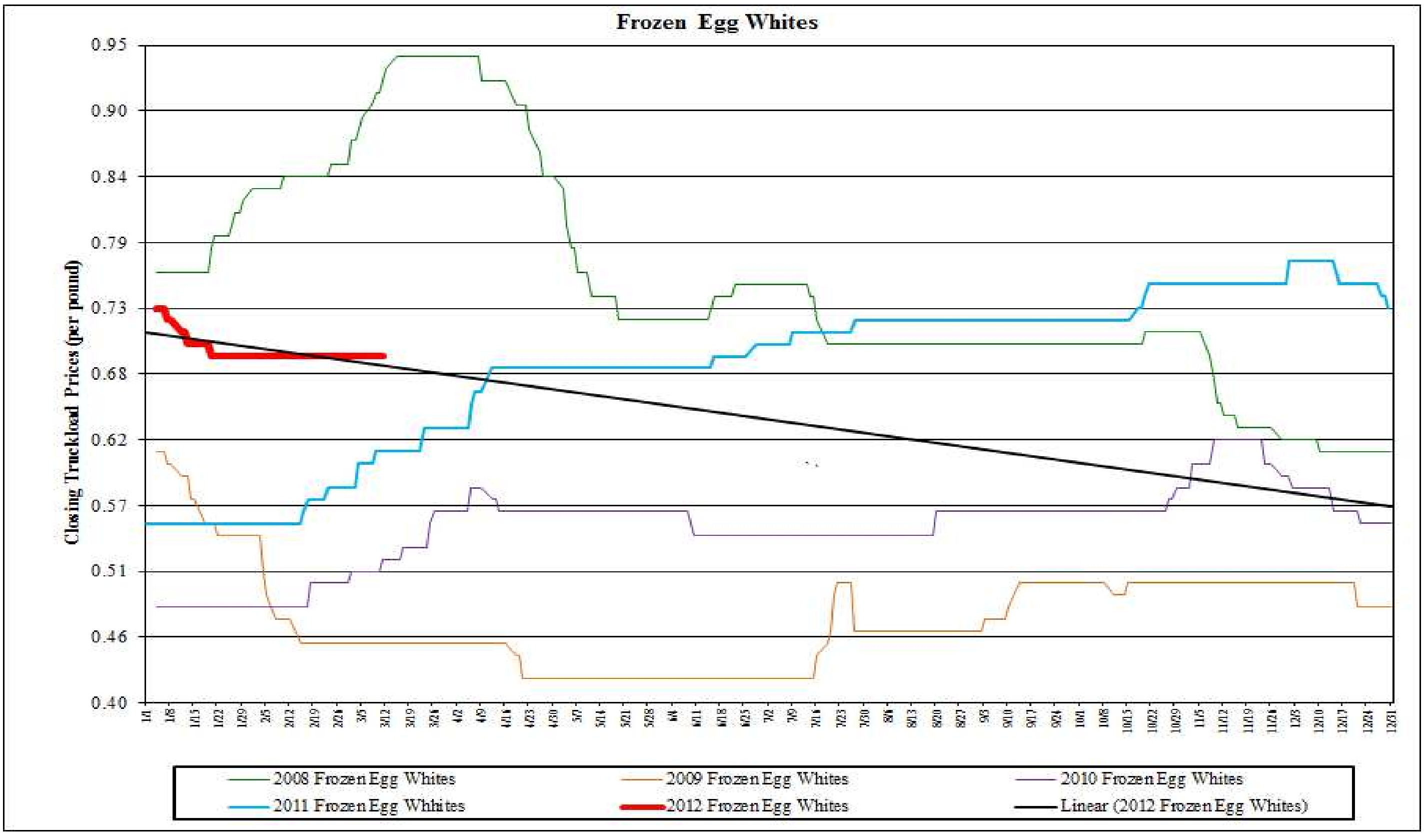




Frozen Whole Eggs closed up $0.03/lb. for the week (compared to last Friday's close).

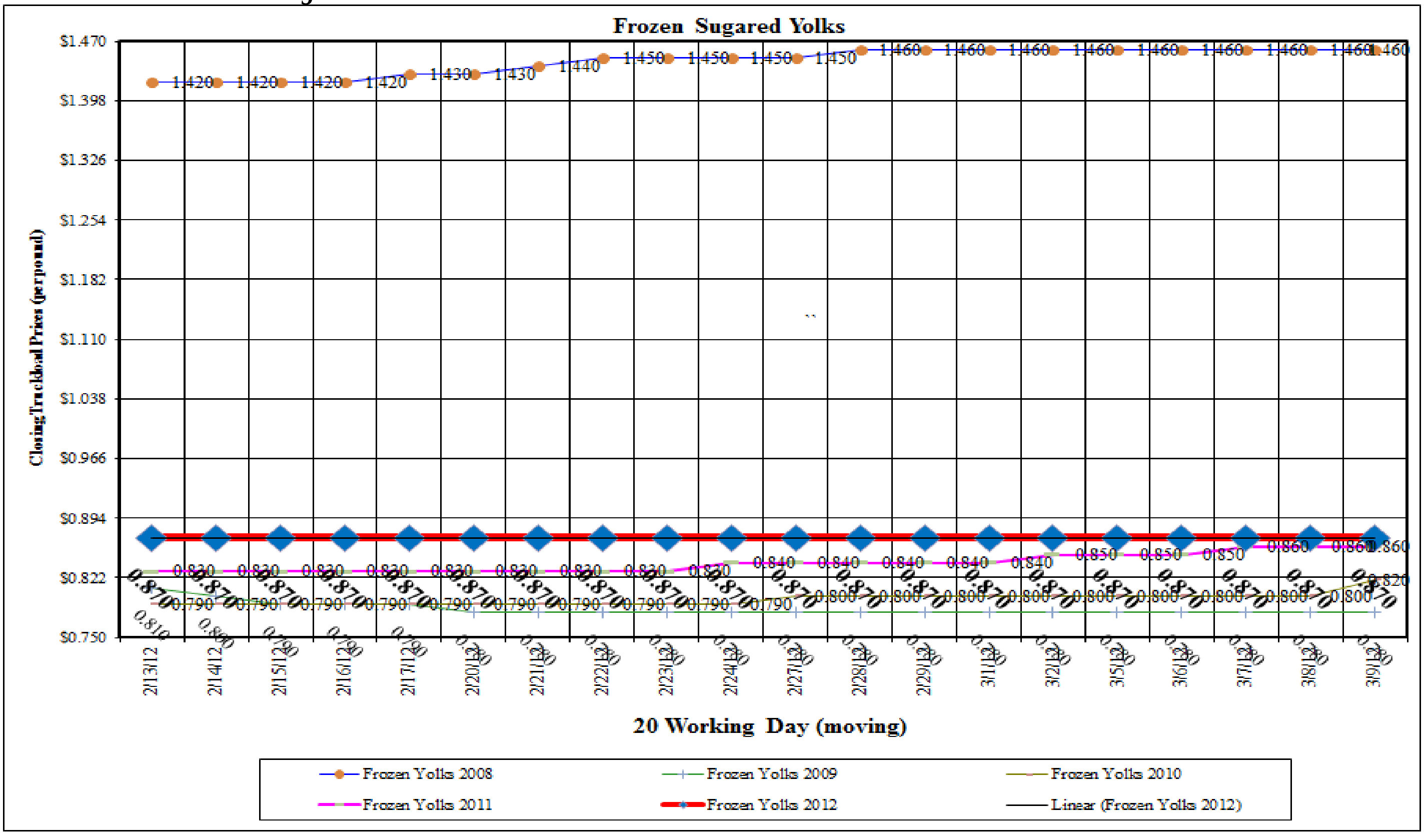
b. ***Frozen White***

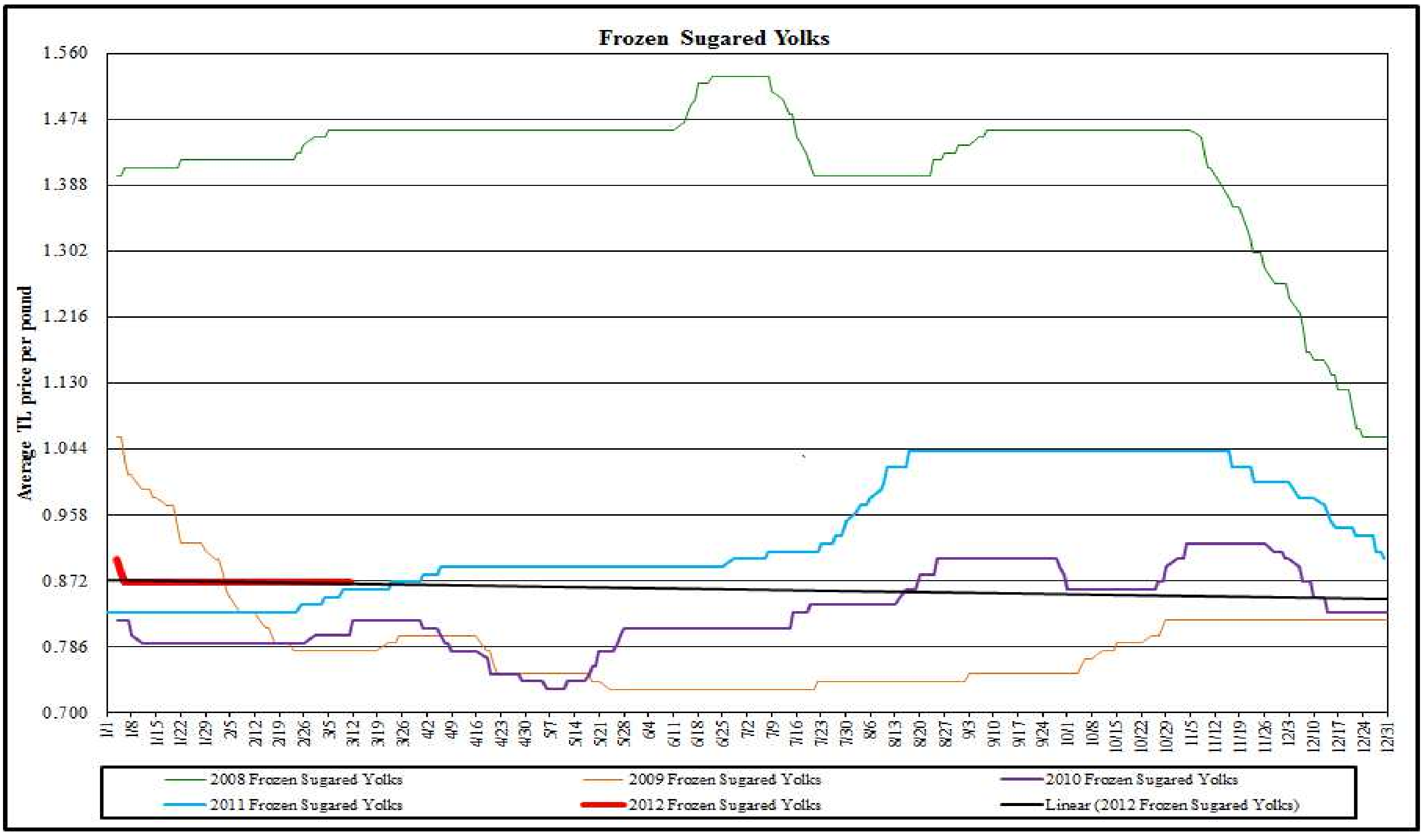




Frozen Egg Whites closed "no change" for the week (compared to last Friday's close).

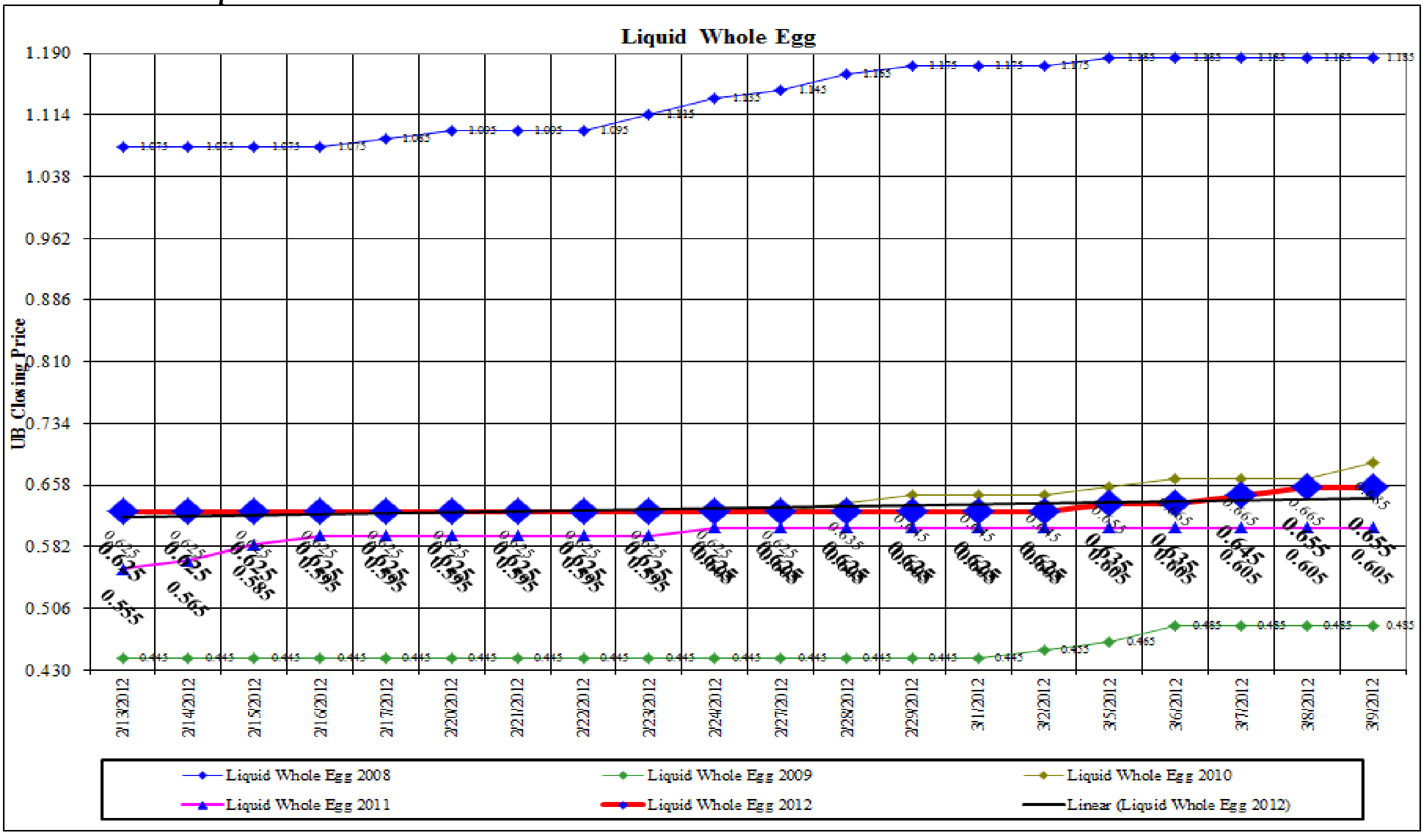
c. Frozen Sugared Yolks

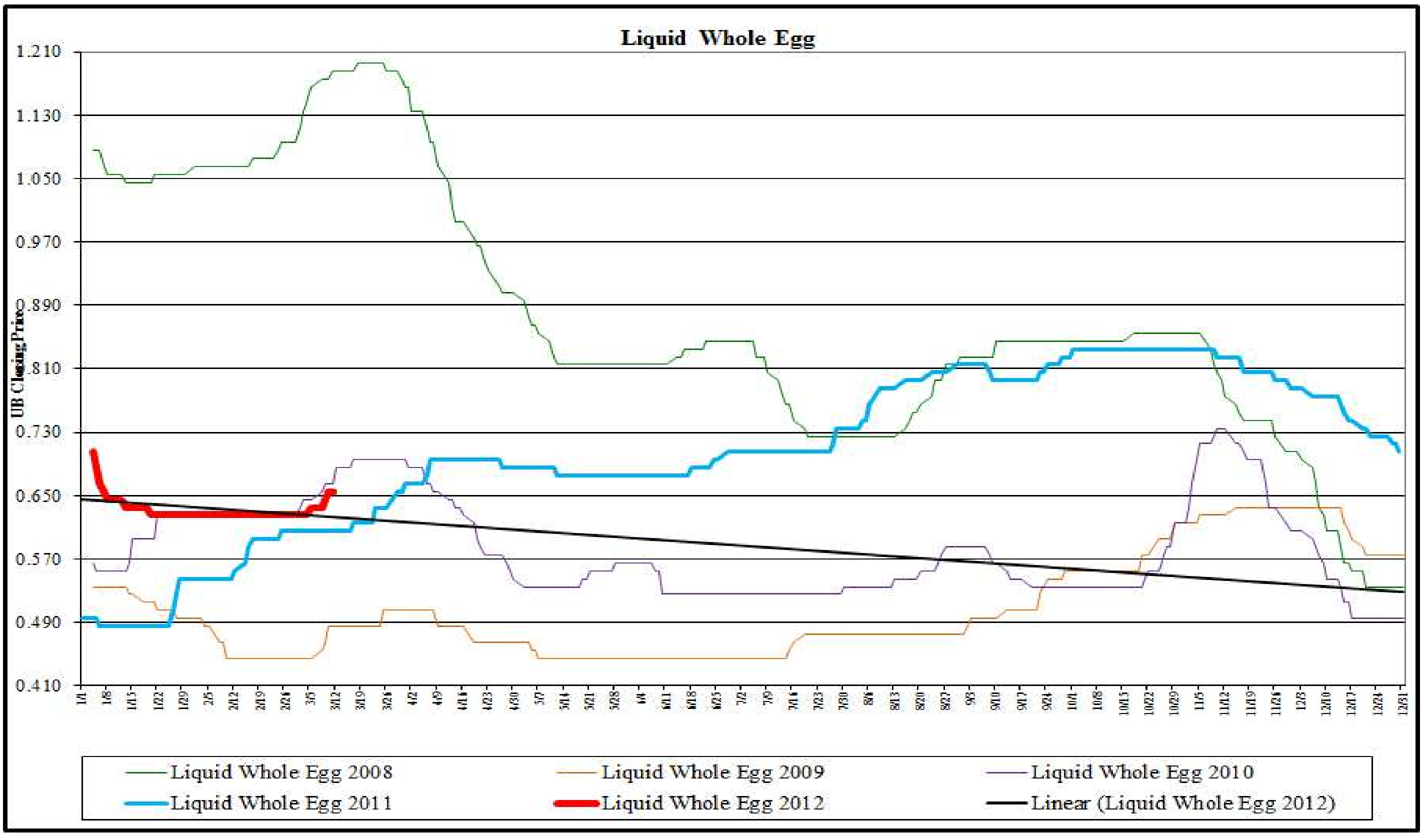




Frozen Sugared Yolks closed "no change" for the week (compared to last Friday's close).

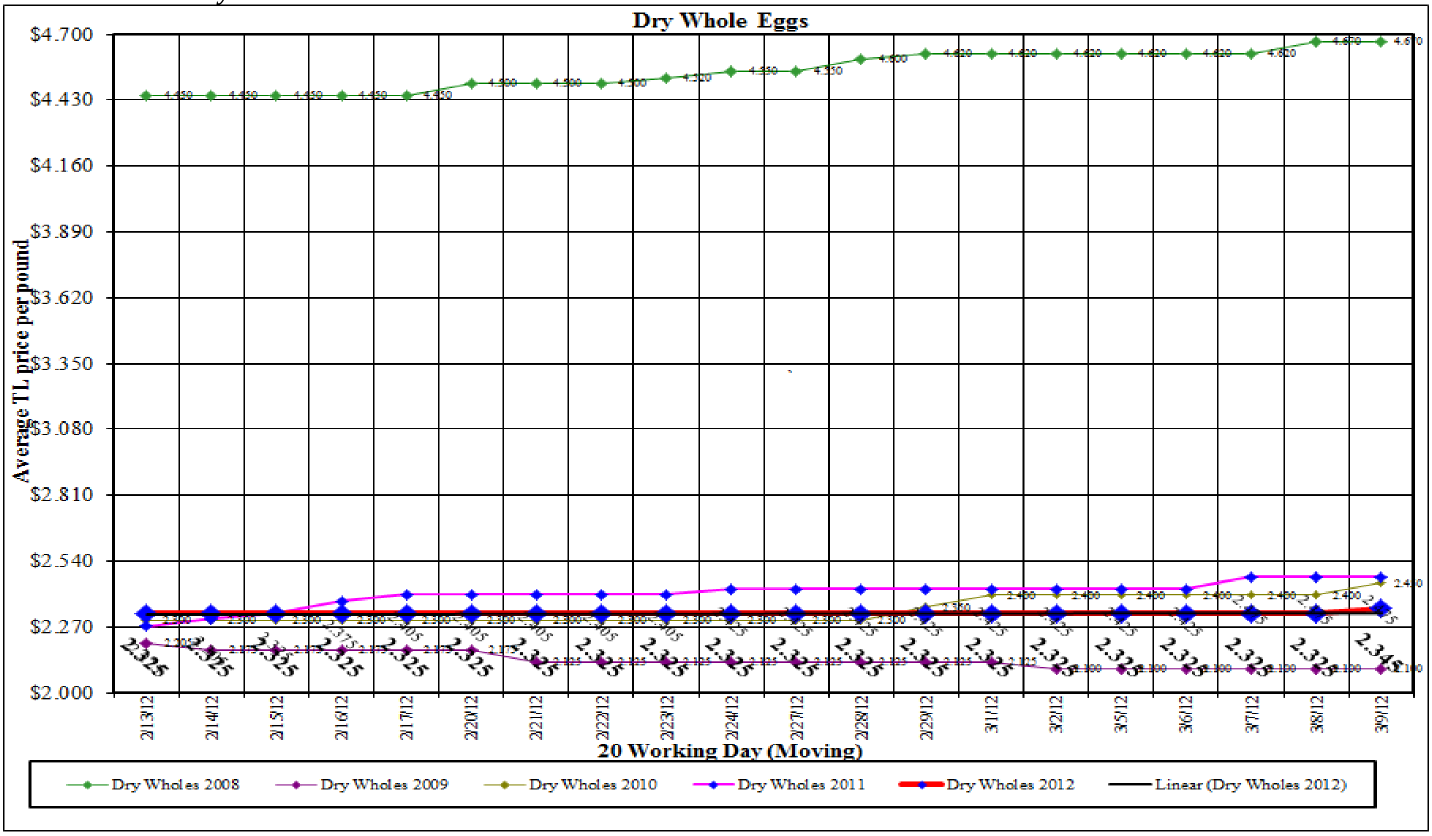
d. Liquid Wholes

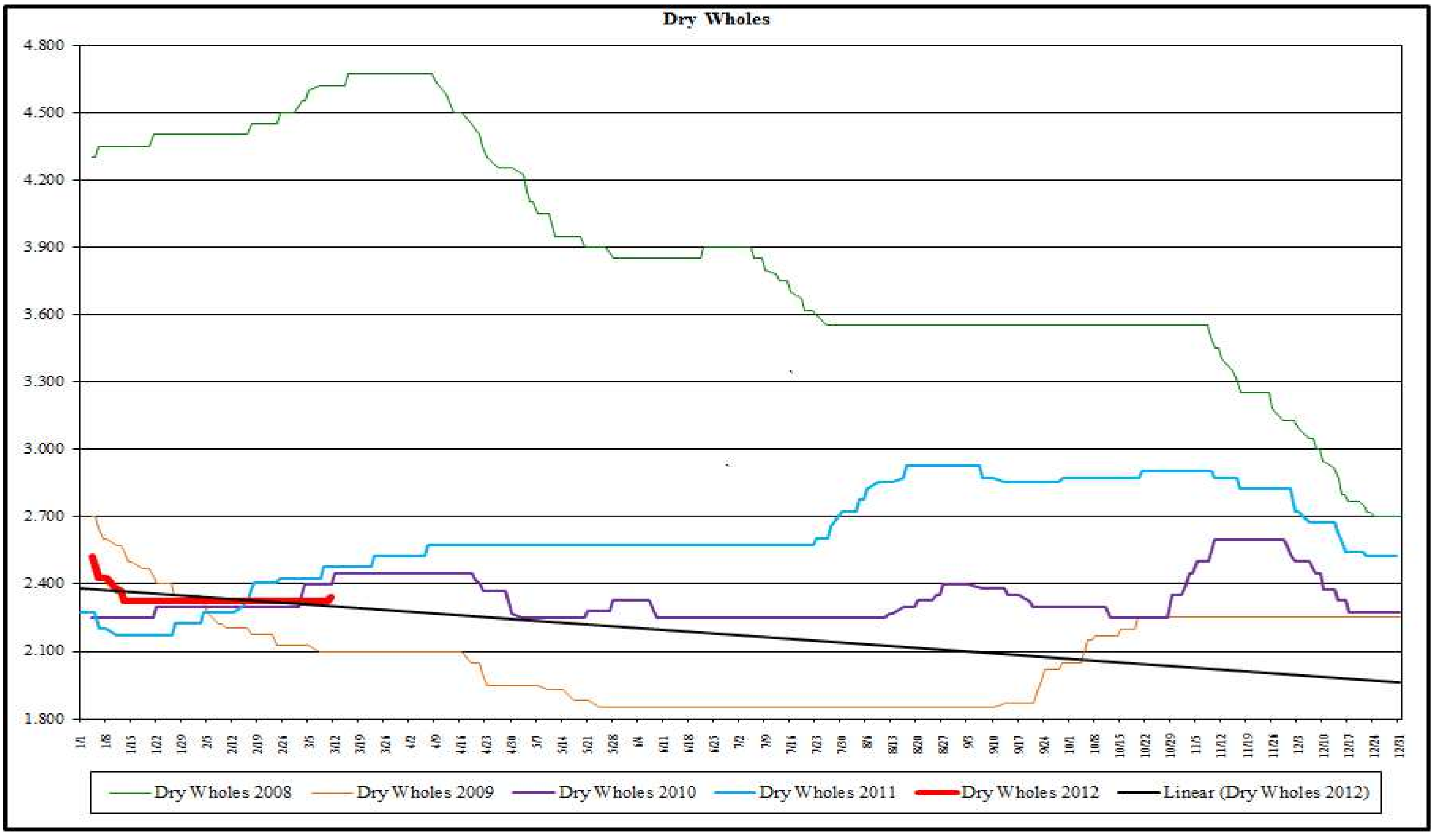




Liquid whole eggs closed up $0.03/lb. for the week (compared to last Friday's close).

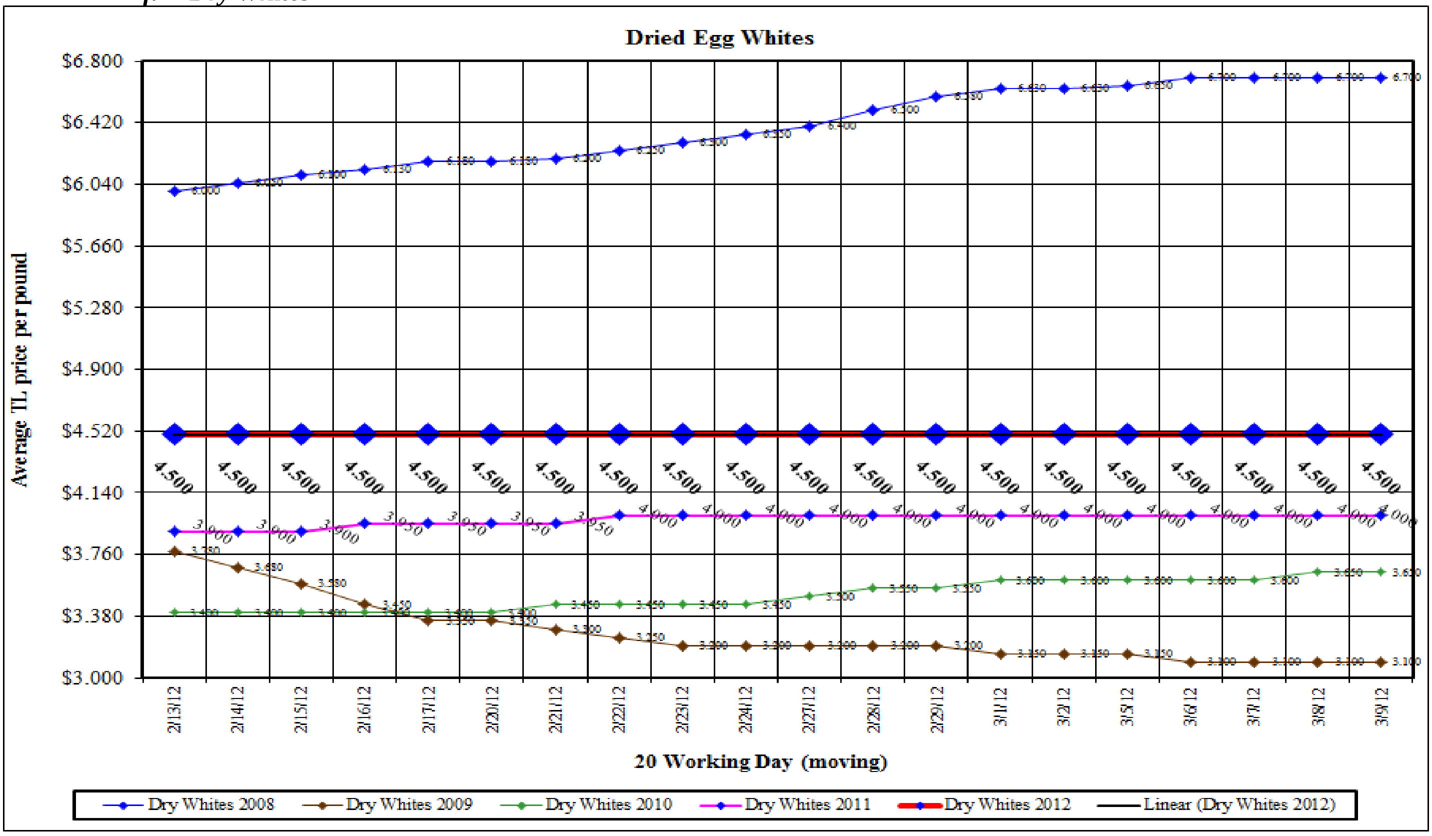
e. Dry Wholes

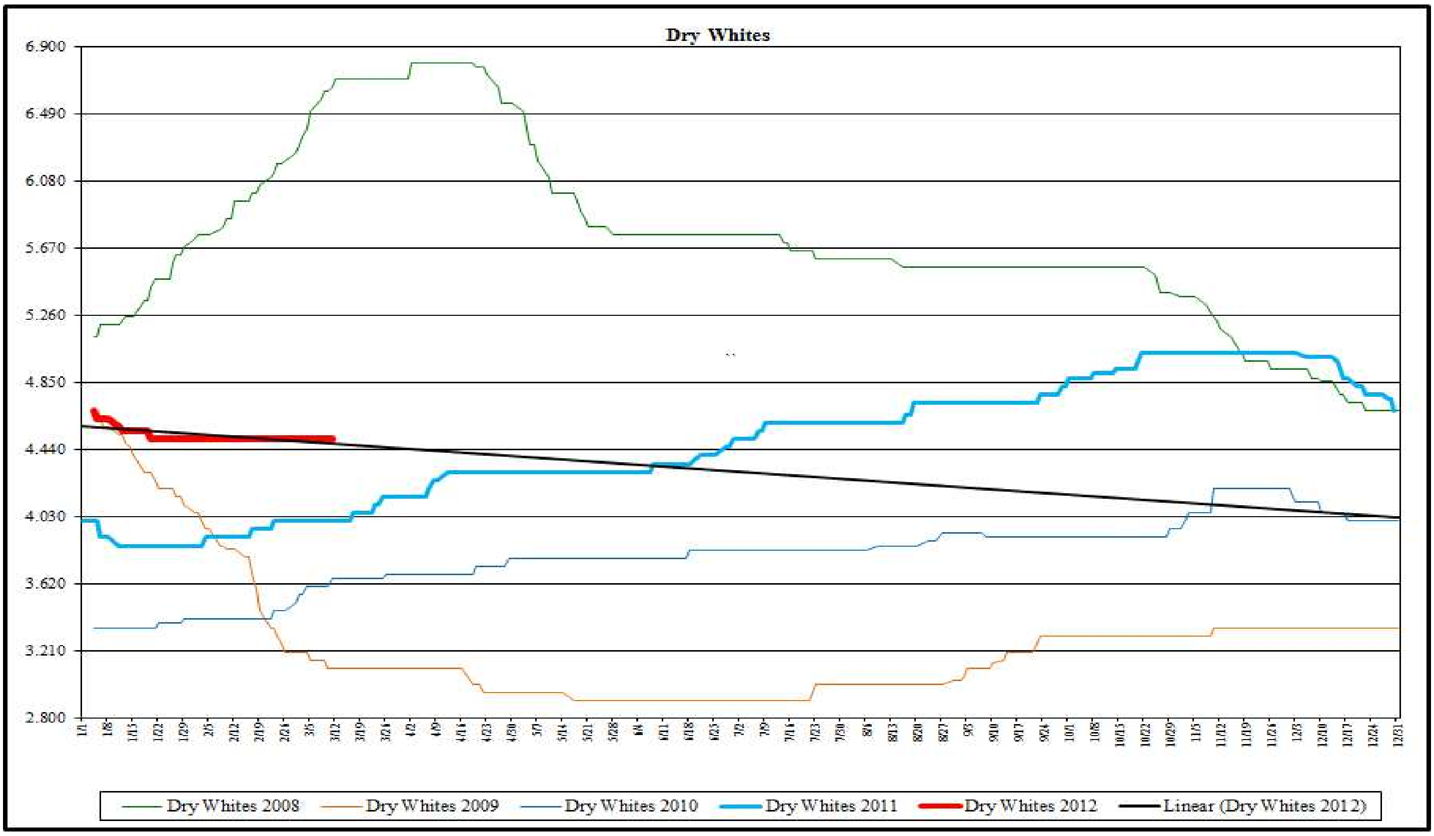




Dried Whole Eggs closed up $0.02/lb. for the week (compared to last Friday's close).

f. Dry Whites





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

Corn
Corn futures were steady and relatively unchanged this week. Analysts were looking for the U.S.D.A. to put U.S. ending stocks at around 785 million bushels. They also expected to see a reduction in corn production for Argentina and/or Brazil.

U.S.D.A. put U.S. ending stocks at 801 million bushels—unchanged from last month. They put Argentine corn production at 22 MMT, unchanged from last month and raised Brazil production 1 MMT from last month to 62 MMT. U.S.D.A. put world corn ending stocks at 124.53 MMT down from 125.35 in the February report.

The U.S.D.A. announced the proposed rule to add pork and distillers dried grain (DDG) to the weekly export sales report. Market participants have been encouraging that proposal for several months to improve market transparency and allow adjustments to changing export activity. Of the 5 billion bushels of corn used for ethanol, approximately 1.547 billion bushels reenter the market as DDGS and corn gluten feed/meal. Up to 8 MMT per year of DDG's are exported, but the flow is uneven, and does affect the quantity of whole corn fed to livestock in the United States.

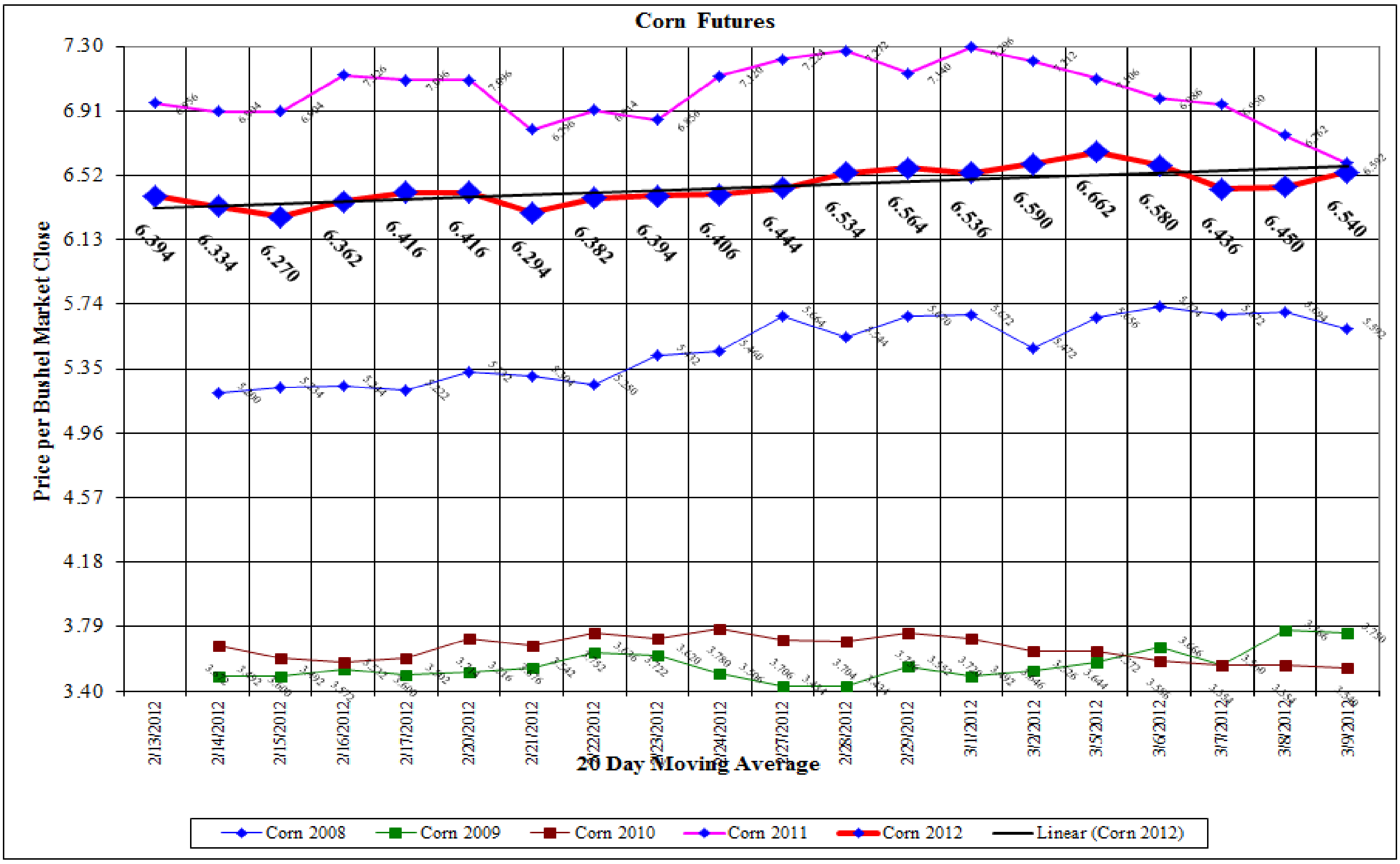
A higher dollar and news out of China continues to put negative pressure on corn prices. China's latest economic data shows slower growth for the country. A Chinese senior official said they would not need as much corn as original expected because their reserves are adequate. That could be in response to the House Senate bill imposing duties on subsidized goods from China. (The bill still has to be signed by the president.)

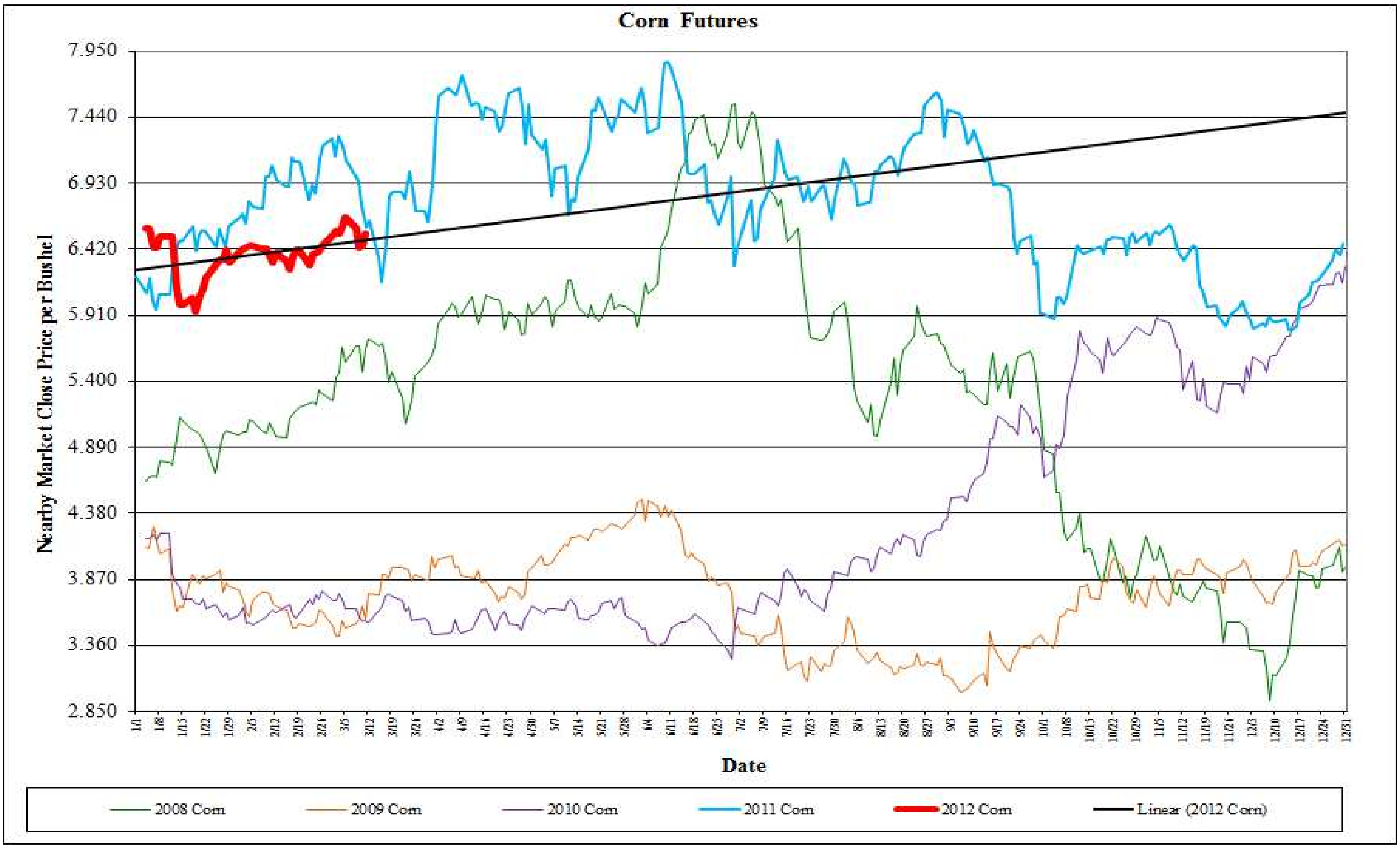
No sign of "usage-rationing" yet in corn despite rising prices have raised prospects that ending stocks may end up even tighter than U.S.D.A. has forecast. Strong cash basis at the farm level indicates producers in no mood to sell more, even though March usually brings a flurry of selling to meet cash flow needs.

Ethanol markets are firming a little, and new crop margins are positive for plants willing to hedge that far out. DDG prices are higher than last year at this time, while corn is about 6% lower.

May corn is expected to trade in a $5.85-$6.84 range. Don't discount December dipping below $4.75 if the U.S. 2012 corn area climbs to 94 million acres followed by good summer weather.

Corn futures closed down $0.05/bushel for the week (versus last Friday's close).

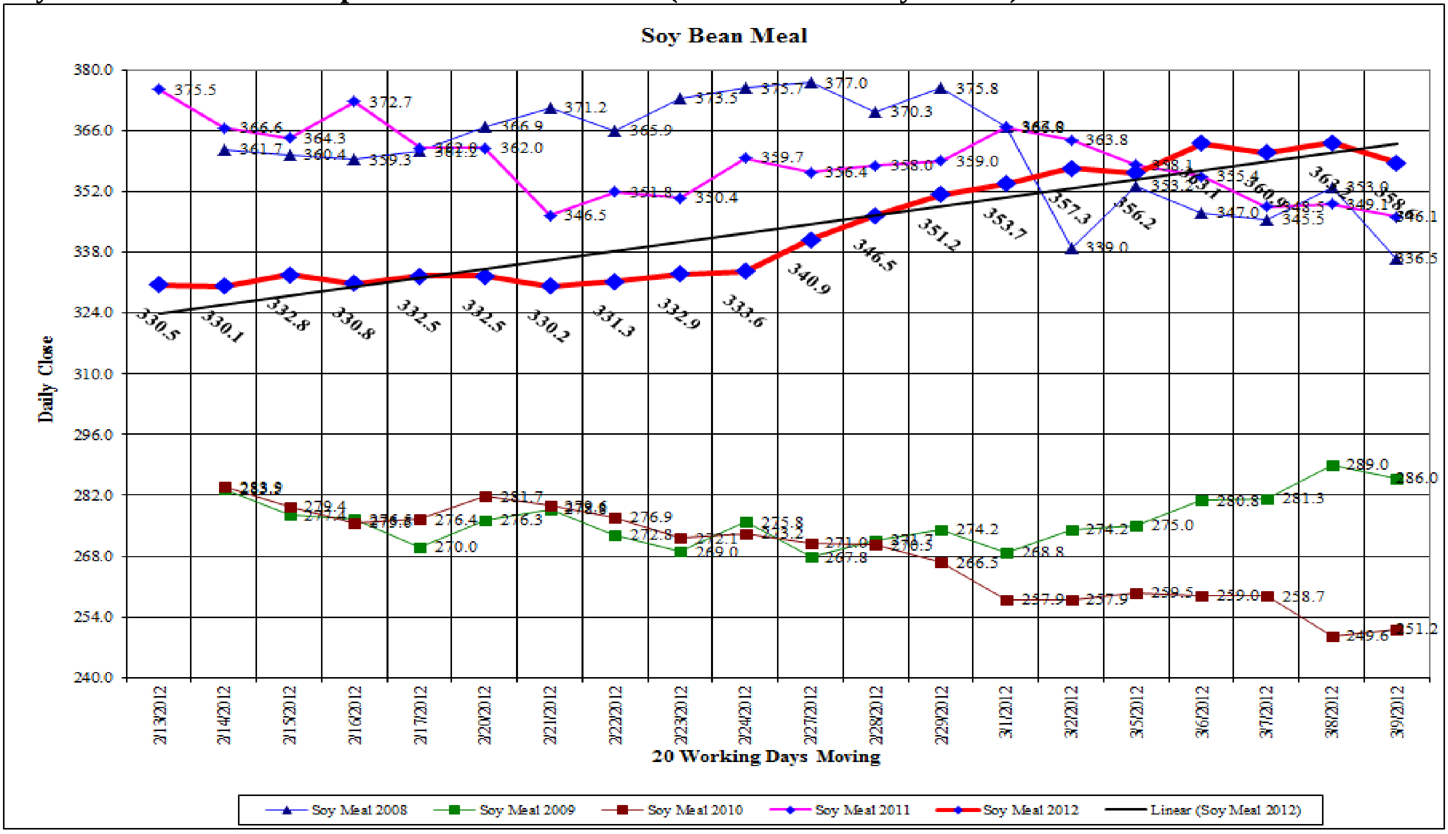

Corn Futures
7.30
6.91
6.52
6.13
5.74
5.35
4.96
4.57
4.18
3.79
3.40
Price per Bushel Market Close
6.394
6.334
6.270
6.362
6.416
6.416
6.294
6.382
6.394
6.406
6.444
6.534
6.564
6.536
6.590
6.662
6.580
6.436
6.450
6.540
2/13/2012
2/14/2012
2/15/2012
2/16/2012
2/17/2012
2/20/2012
2/21/2012
2/22/2012
2/23/2012
2/24/2012
2/27/2012
2/28/2012
2/29/2012
3/1/2012
3/2/2012
3/5/2012
3/6/2012
3/7/2012
3/8/2012
3/9/2012
20 Day Moving Average
Corn 2008
Corn 2009
Corn 2010
Corn 2011
Corn 2012
Linear (Corn 2012)

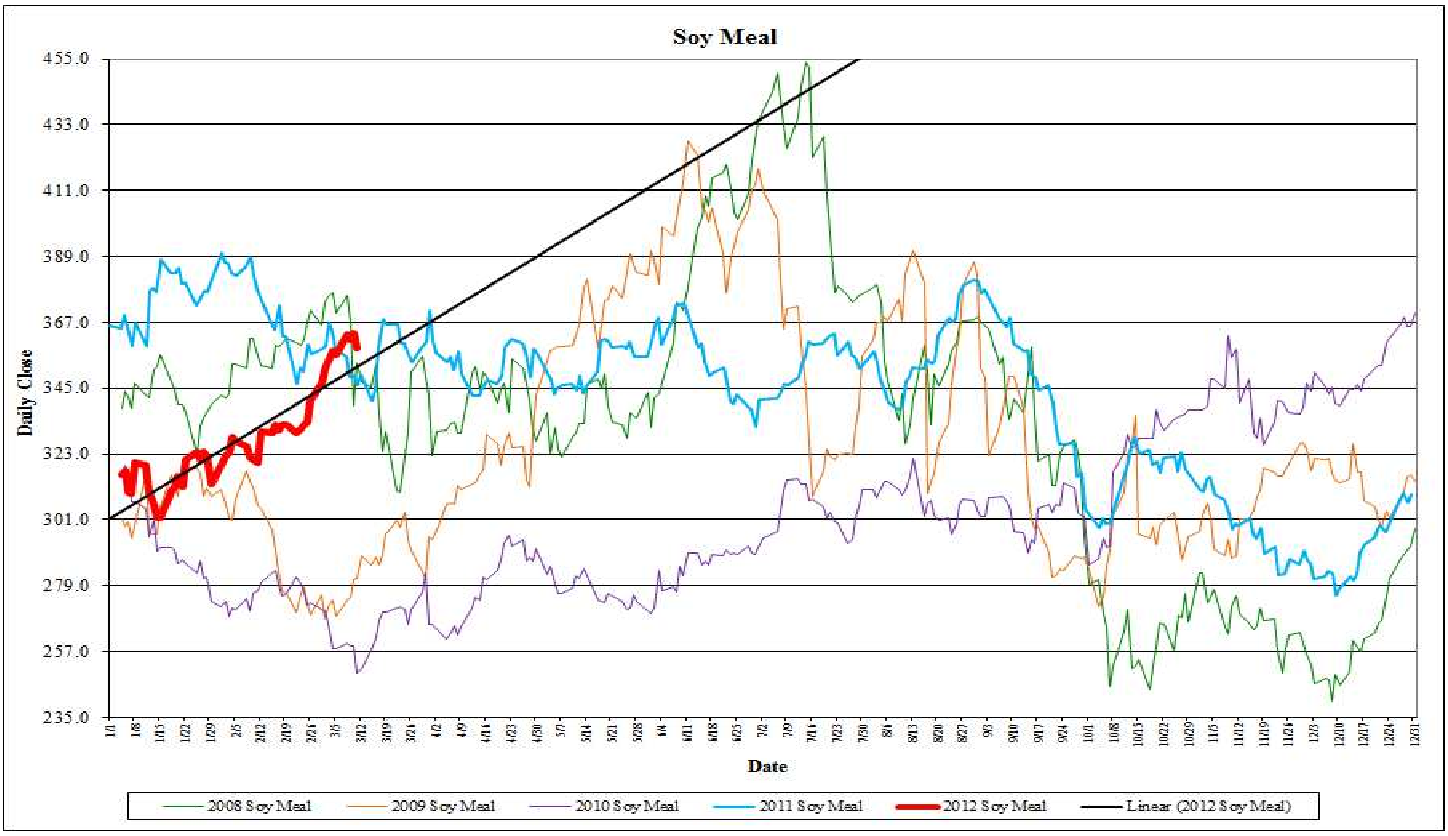

Corn Futures
7.950
7.440
6.930
6.420
5.910
5.400
4.890
4.380
3.870
3.360
2.850
Nearby Market Close Price per Bushel
Date
2008 Corn
2009 Corn
2010 Corn
2011 Corn
2012 Corn
Linear (2012 Corn)

Soy Meal

May meal is expected to trade in a $320–370 range through April.

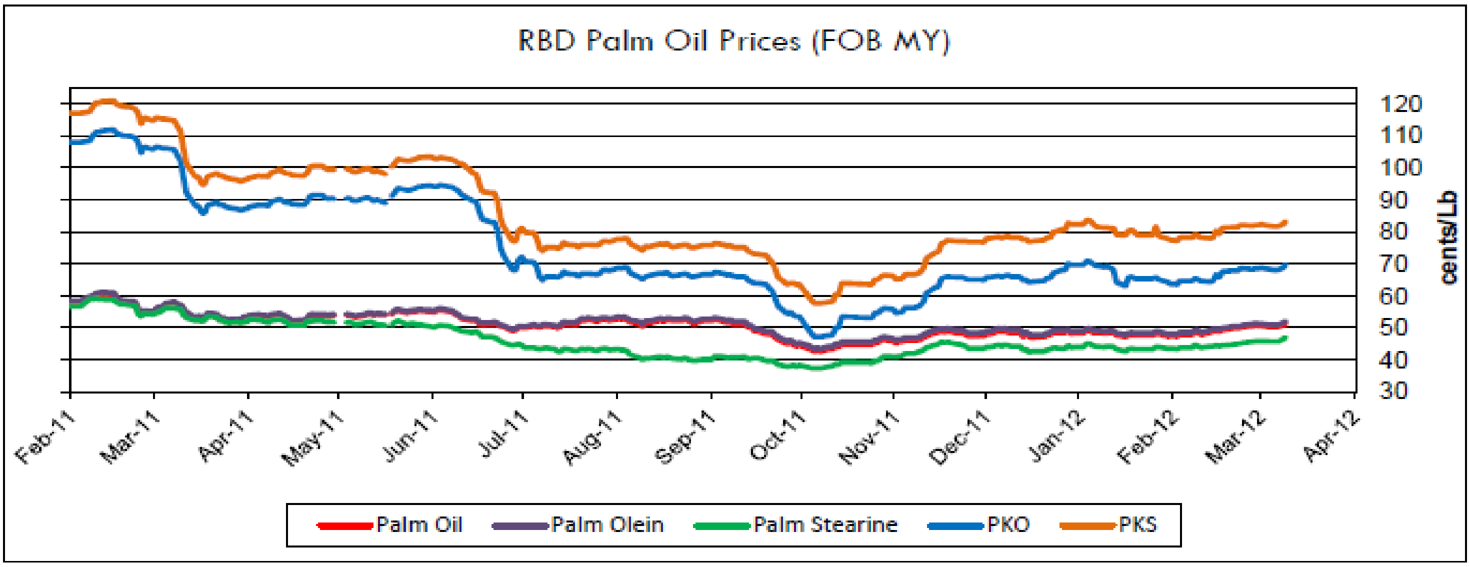
Soy meal futures closed up $1.30/ton for the week (versus last Friday's close).



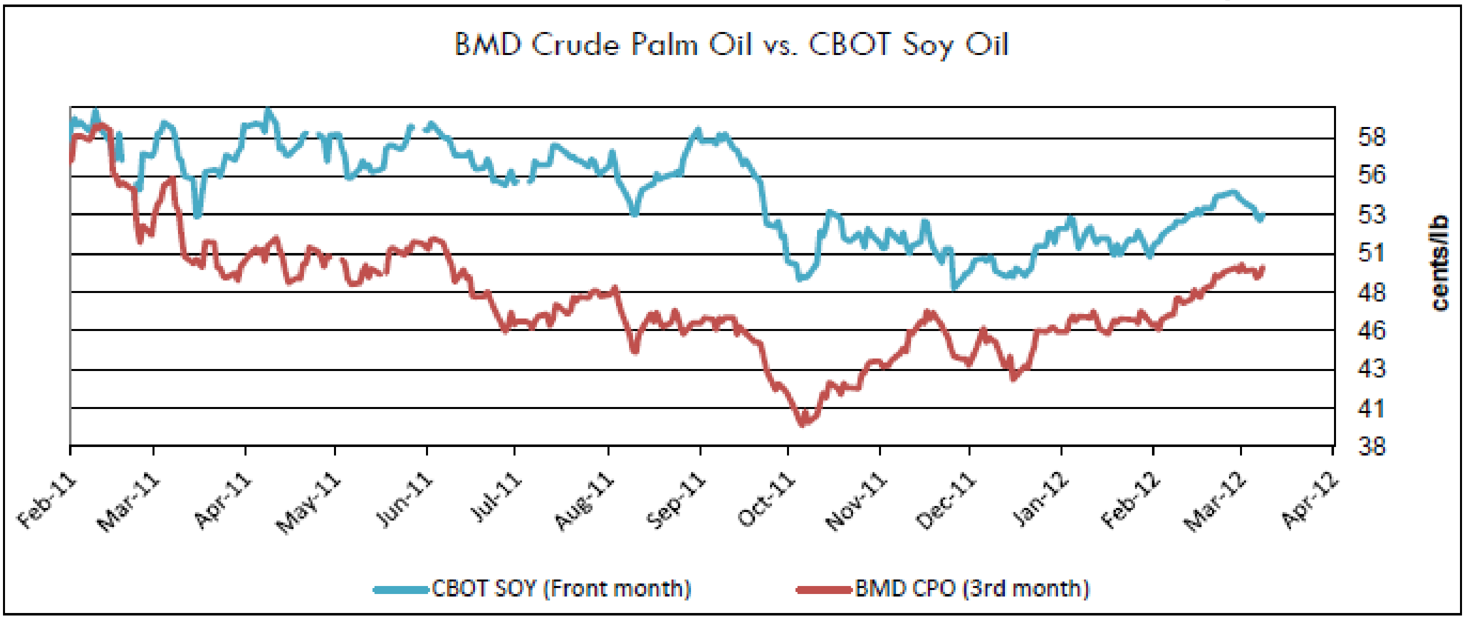


Palm Oil

Malaysian palm oil hit fresh 9-month highs on expectations for prices to rally over the medium term, improved global economic outlooks, and strong demand. Global vegetable oil prices are expected to rise in the next 2-4 months under the lead of soy oil and palm oil. It's forecasted that April/Sept 2012 world production of soy oil will rise by only 0.5 million metric tons and of palm oil by only 0.6 million metric tons from a year earlier, which will curb the growth of consumption or result in a decline in stocks. Smaller world exports of soy oil will raise reliance on palm oil. But following the astonishing increase in palm oil production in the last twelve months, the year-on-year growth is going to slow due to a decline in the biological yield cycle. This will make it more difficult for palm oil to fulfill rising world import demand, thus contributing to escalating prices. Production of copra (coconut) will be recovering from last year's setback and PK (palm kernel) production will continue to rise though at a somewhat lower rate. World output of these two oilseeds is likely to rise by 1.2 million metric tons compared with "no growth" last year. Short term PKO prices will continue to seek direction from palm and soybean futures. Prices are expected to remain within range up to the palm conference, after fundamentals will take over direction. The Price Outlook Conference taking place this week will give the market more directions for the year 2012/2013. Brent crude oil is likely to maintain strength with no visible solution in sight to the tension over Iran's nuclear programs.



(Graph source: Loders Croklaan)



(Graph source: Loders Croklaan)

Energy Markets

While much of the media is focused on skyrocketing oil prices as well as the possibility of gasoline topping the $5 per gallon mark this summer, it should be noted that both natural gas and electricity prices are currently at some of their lowest levels in years. Of course although this news does little to relieve the "pain at the pump", it is worth pointing out that for many households and businesses who rely on natural gas and electricity, this downward trend has brought some real relief.

Natural gas prices continued their downward trend over the past month with the NYMEX 12 month strip coming in at approximately $2.99 per MMBtu with prompt month pricing falling below the $2.50 level. These declines are attributable to warmer than normal temperatures during this winter season, abundant supply, record levels of storage, and depressed demand. Given the current glut of natural gas, it is unlikely there will be any significant climb in pricing over the next several months.

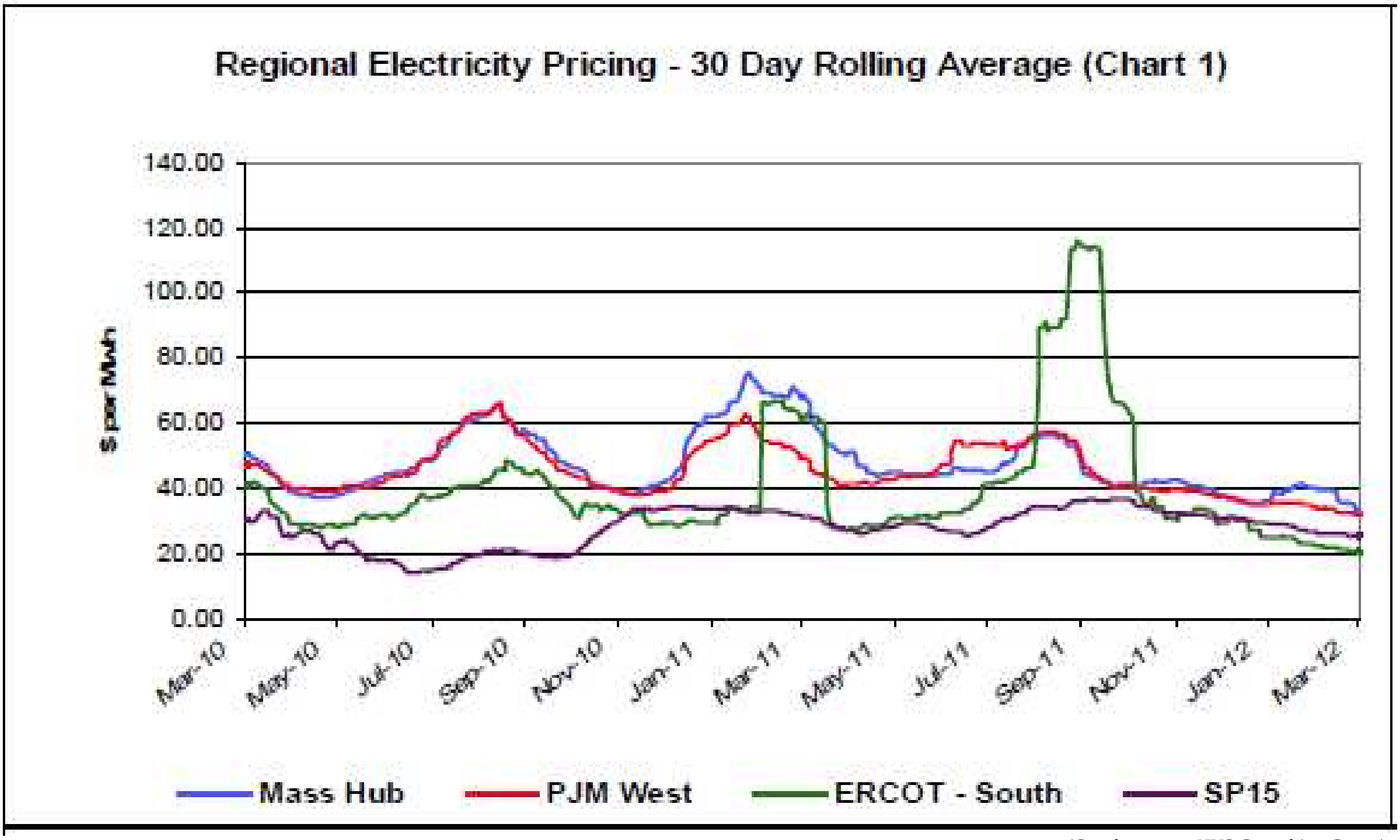
WTI oil prices rose nearly 11% over the past month. Despite global demand for oil being softened due to the financial crisis in Europe, many traders are banking on even higher prices in the future. Most of this speculation can be laid at current Middle Eastern tensions as Iran continues its hard position on nuclear development despite worldwide condemnation. Look to see whether Israel buys into the idea of letting sanctions run their course or whether they demand a military response to the problem. Of course, any military strike could have oil prices running up to $150 per bbl and beyond. Under the current circumstances all factors are indicating that current elevated prices are sustainable for the foreseeable future and likely to increase. It is likely that this trend will not be broken until some resolution of the Iran situation comes to pass. In viewing the Iranian situation there appears to be three possible options -- (i) sanctions and the continued threat of military action ultimately brings Iran back to the negotiating table in a bona fide fashion, resulting in the halting or suitable limiting/monitoring of Iran's nuclear programs – prices drop $15-$20 per barrel in the ensuing weeks as Iranian oil production and exports resume, (ii) Israel does not secure the necessary assurances from the United States concerning a future military strike against Iran should it develop the requisite nuclear capabilities to construct a weapon and Israel undertakes a pre-emptive military strike – prices spike in excess of $150 and the duration of the price spike will depend on the longevity or durability of any disruption resulting from hostilities in the region, and (iii) Israel secures the desired assurances from the U.S., does not strike Iran in the near term and sanctions are continued – prices remain at current elevated levels due to the progressive loss of oil from Iran, testing the Saudi's ability to fill the shortfall.

Electricity prices declined throughout the country over the past month with the New England region leading the way. Here again, lower natural gas prices coupled with mild temperatures are the cause.

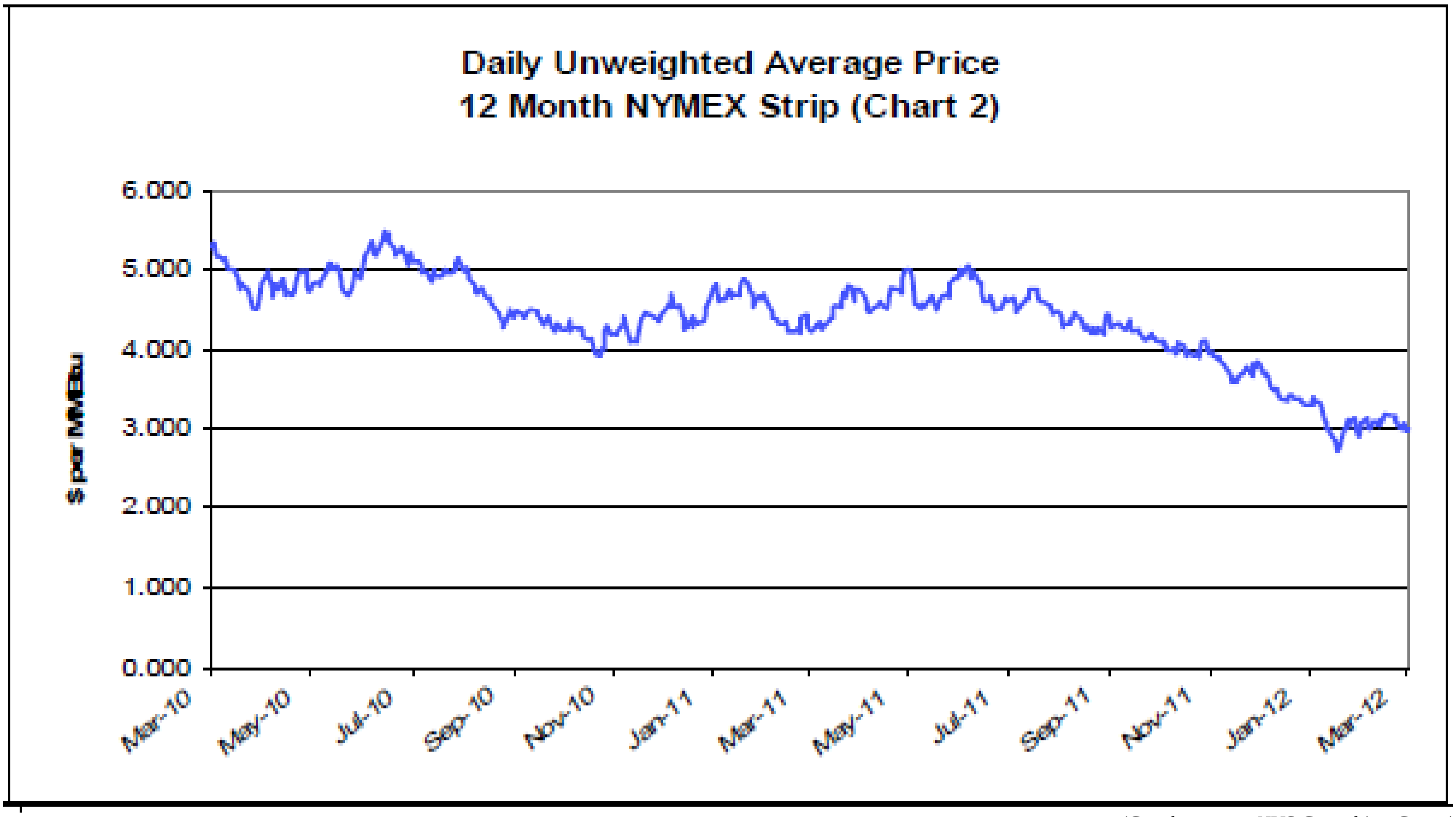
Key Pricing Indicators – Commodity Prices:

	2 February 2012	2 March 2012	% Change	
Electricity - East (MA Hub)	$40.23 per MWh	$32.50 per MWh	-19.2%	↓
Electricity - Central (PJM West)	$34.15 per MWh	$31.56 per MWh	-7.6%	↓
Electricity - South (ERCOT)	$22.41 per MWh	$20.69 per MWh	-7.7%	↓
Electricity - West (SP 15)	$26.48 per MWh	$25.29 per MWh	-4.5%	↓
NYMEX 12 Month Strip	$3.078 per MMBtu	$2.991 per MMBtu	-2.8%	↓
WTI (Prompt Month)	$96.36 per bbl	$106.70 per bbl	10.7%	↑
NYMEX (Prompt Month)	$2.554 per MMBtu	$2.484 per MMBtu	-2.7%	↓

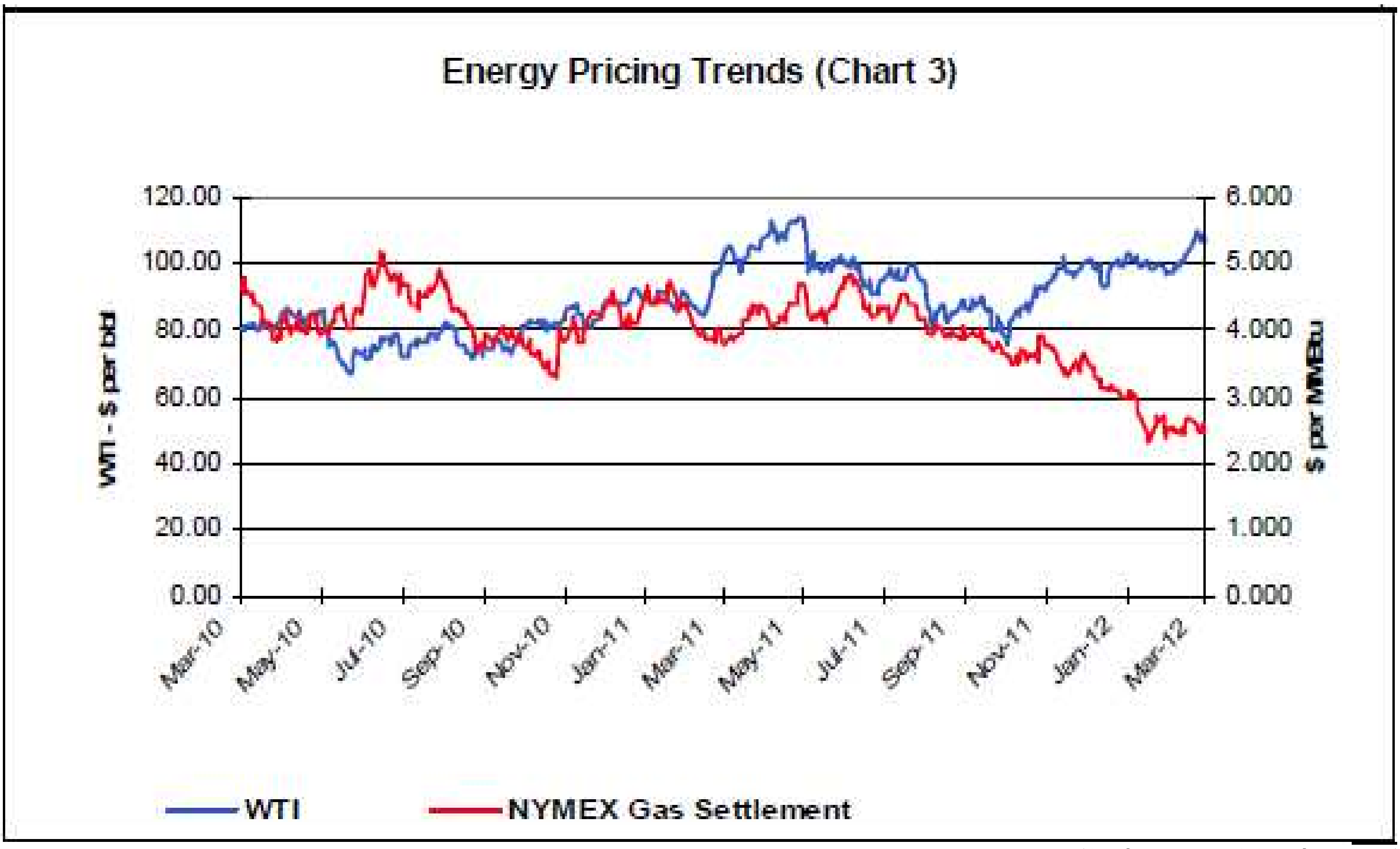
(Chart source: NUS Consulting Group)



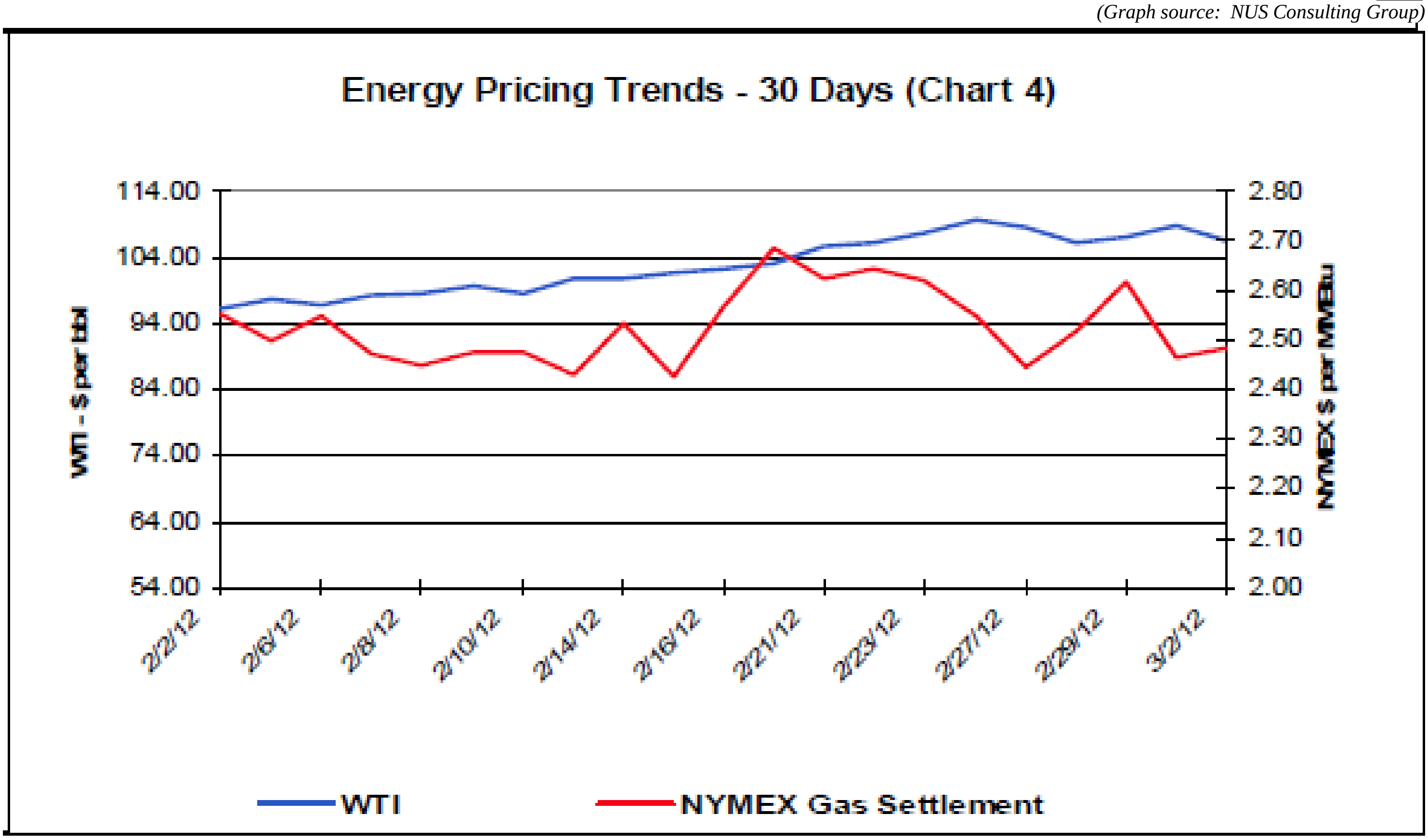
(Graph source: NUS Consulting Group)



(Graph source: NUS Consulting Group)



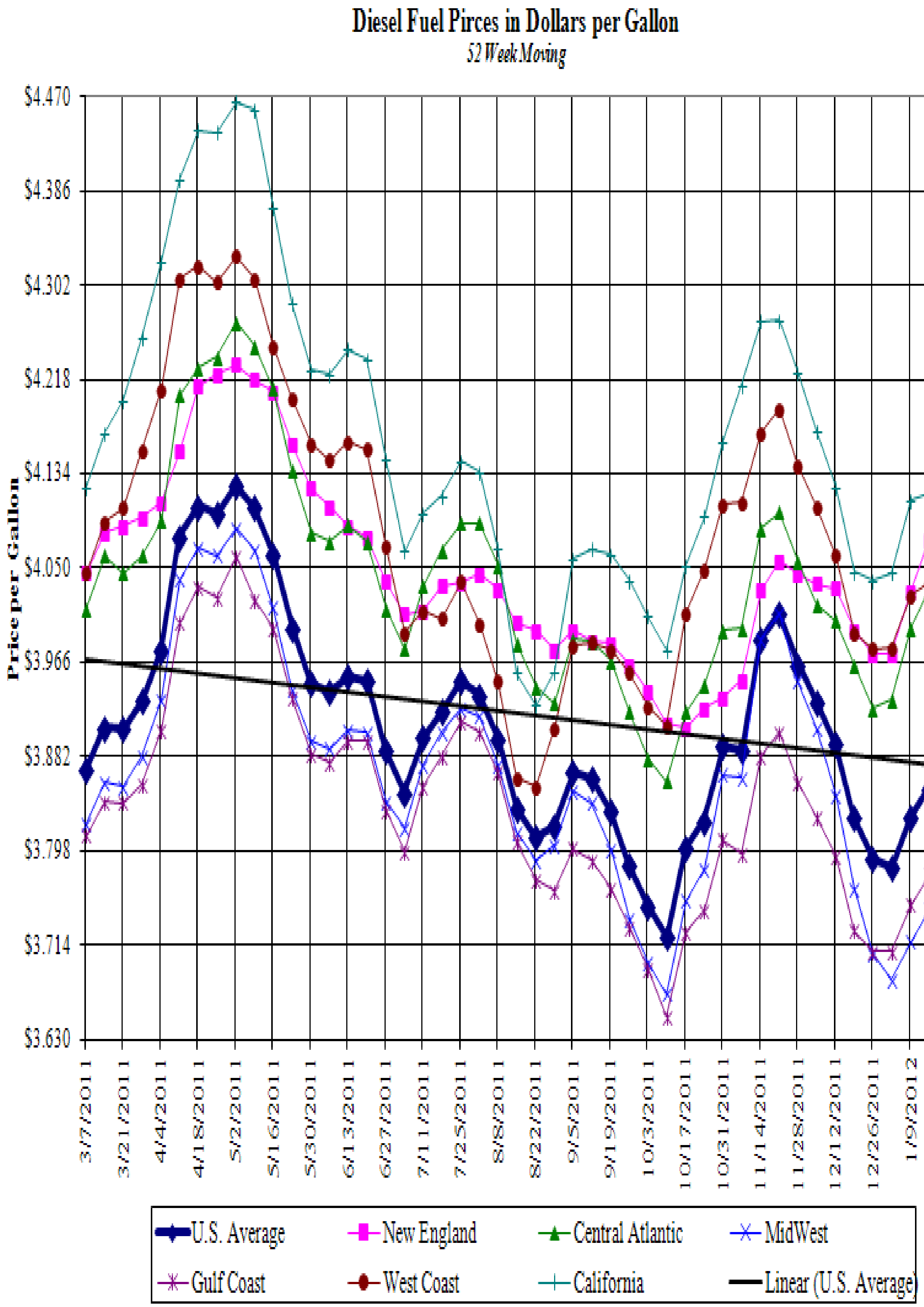
(Graph source: NUS Consulting Group)



(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
3/7/2011	$3.8710	$3.9080	$4.0460	$4.0140	$3.8500	$3.8230	$3.8120	$3.8450	$4.0460	$4.1220
3/14/2011	$3.9080	$3.9460	$4.0810	$4.0610	$3.8850	$3.8590	$3.8420	$3.8880	$4.0910	$4.1700
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


Diesel Fuel Pirces in Dollars per Gallon
52 Week Moving
Price per Gallon
$4.470
$4.386
$4.302
$4.218
$4.134
$4.050
$3.966
$3.882
$3.798
$3.714
$3.630
3/7/2011
3/21/2011
4/4/2011
4/18/2011
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
U.S. Average
New England
Central Atlantic
MidWest
Gulf Coast
West Coast
California
Linear (U.S. Average)

Fruits/Nut Markets

***Strawberries*—US (FL): Strawberries to hit peak volume mid-March**
Buyers should expect smaller Florida blueberry volume after a mid-February freeze that growers say may reduce supplies of the season's first domestic blueberries. The state's strawberries, on the other hand, may peak earlier. Mid-March should bring heavy Florida strawberry production.

Expect peak production weeks ahead of the season's normal mid- to late March peak. Forecast models predict the industry to have record production by the first week of March. This will be the most berries per-week the industry has ever seen. It's unusual to peak that early. It may continue to build through the month.

Aside from the expected production boom, the berry season—which begins in late November and finishes by mid-April—will be strong. Production exceeded expectations and a warmer-than-usual growing season helped berry growth and quality. Late season prices, however, weren't strong. The U.S. Department of Agriculture reported on February 28 f.o.b.s of $7.90-8.90 for flats of 8 1-pound clamshells medium large from central Florida. At the same time last year, flats of 8 1-pound clamshells medium large sold for $10.90-12.90.

Never the less, growers are banking on weather remaining fairly consistent over the next six weeks and not getting excessively hot. This is definitely one of the better seasons seen in a number of years.

***Cranberries*—U.S.D.A. asked to purchase excess cranberries**
As recent surpluses have caused lower prices for cranberries, members of congress from 5 states have called for the U.S.D.A. to purchase a portion of the excess crop in a bid to protect farmers and to help stabilize prices. The request asks the U.S.D.A. to purchase 500,000 barrels from across the country to help alleviate the foreseen price drop.

"We are working with Secretary Vilsack and trying to help growers get access to foreign countries and pursue those markets," Congressman William Keating said in an interview. Massachusetts ranks second among the country's cranberry-producing states. Massachusetts' cranberry industry generates $140 million in annual economic activity while controlling more than 60,000 acres of land. "We have more acres and berries than ever, with a continuing decline in domestic and export sales," John Decas, chairman of Carver-based Decas Cranberry Products, said in a statement. "No matter how you look at it, we are in a severe oversupply situation that could last a very long time."

Previous solutions to over supply have involved diversification of products - for example, dried cranberries - and also the search for export markets. This has had its successes - foreign consumption has tripled in the last 10 years. "Growers are not going to stop growing, so we need to find new outlets (for) products," said David Farrimond, a former executive director of the Cranberry Marketing Committee.

***Blueberries*—Florida blueberry growers will collect a bounty this year as Sunshine State's industry matures**
Florida blueberry growers are hoping for a heyday this spring with an exclusive market window that should be even longer than usual because of an early end to the Chilean season and a freeze that wiped out more than half of Georgia's early season crop. Some Florida growers sustained damage from the February 12 freeze that hammered the Georgia crop and dipped into the northern part of the Sunshine State; others further south had problems related to a lack of chill hours or unfamiliarity with the pesticide and plant growth regulator Dormex, which can damage plants if improperly applied. Estimates are that Florida will take about a 15% ding to its 2012 crop. The reduction is not disastrous—in fact, it all but assures Florida growers will get premium prices this spring. The freeze will only have an impact on the early fruit that was ahead of a normal season, so quality on the remaining fruit will not be a concern. The start of the season has been moved to late March with peak weeks mid-April. Georgia being hurt with their Southern highbush and early varieties, that's just going to stretch the Florida window a little longer, so prices could hold a little longer, as well as [pack] size. Instead of going to a pint earlier, packers could be going to a pint later in the season.

This freeze event was a major deal for Florida and some other factors are playing into it, so the Florida prices are going to be strong this year. Chile is ending up early—they're going to be out of the picture in April.

But, according to some in the industry, this might be the last year Florida growers reap such a bounty. With Florida producing the United States' first domestic berries of the year in a season that typically begins in mid-March and extends into early May, growers are accustomed to premium prices for their product. Over the past few years, Florida blueberries have garnered $5 a pound or better in that window. Once Georgia enters the picture in May, that price drops to around $2.50, a pattern that repeats itself as the season progresses northward and production in other states comes on. That early bounty has led growers large and small to hustle to get into the Florida blueberry deal. And while the market is hardly saturated, production has increased rapidly enough to likely signal an end to super-premium prices.

Production has already ramped up quicker than most Florida growers thought likely. Last year, projections were that the Florida crop would total 16 million pounds to 17 million pounds. Instead, the total was 22 million pounds. This year the reverse is true. Early projections were that the Florida crop would top 22 million pounds this year. With the northern part of the state too cold and the southern part too warm, that total will drop to 16 million pounds to 17 million pounds, resulting in premium prices. But this might be the last year Florida growers collect that bounty.

A couple of years ago, there were about 3,500 acres [of Florida blueberries] and there's at least 1,000 more acres now. At that time there were eight growers with 75% of the crop, the other 25% was made up of at least 125 other growers. The day of the little grower is pretty limited now.

In the past couple of years, some of the industry's biggest players have moved into Florida blues. California Giant now has operations here, Dole Foods recently acquired SunnyRidge Farms in Winter Haven, FL, and Wish Farms' deal has grown into a year-round domestic and import program that will ship 2.5 million pounds of Florida fruit and 12 million pounds to 14 million pounds of blueberries from all sources.

New cultivars from the University of Florida are making machine harvesting more feasible almost monthly and some large growers are already replacing portions of their orchards with new varieties, replanting several acres at a time yearly with an idea toward moving to complete mechanization. The people who transition the fastest are the early birds and they're going to do really well. Small growers—those with less than 25 acres—may have a future as you-pick operations, but larger growers or even smaller growers who begin operation in the next year or two with machine-harvestable plants will have an edge, especially big corporations that see they don't have to hire a lot of people.

This season's likely high prices are going to get everybody excited again, but this is going to kind of be a spike. It's short-lived. Florida is going to sell a lot of plants because of it. But now you've got these immature fields already planted and as soon as they take off, that 22 million pounds from last year could easily be 26 or 28 the year after next.

On the other hand, it is possible that increasing demand for blueberries will help growers ultimately stay ahead of the curve. It is possible that the acreage will eventually over the next two-three years level out and the customer base will catch up to it.

With annual per capita consumption of blueberries at just 32 ounces per person, the industry no doubt has room to grow. But it is likely that the Florida blueberry deal will become a game of musical chairs, with players dropping out as labor, technology and competition pass them by.

Anyone seeking further proof of that need look no further than the University of Florida. From 1965, the year it was invented, Gatorade provided the highest royalty stream of any other patent the university holds until last year. After a half-century atop, the sports drink was toppled from its throne. The new king? Royalties from blueberry cultivars developed at UF.

Peaches—**US: Arkansas peach blossom is cause for concern**

Arkansas peach trees are blooming after record breaking warm temperatures brought them into flower early. Now growers are concerned that they may be damaged in the event of a late frost occurring. This is what happened back in 2007, when an early frost wiped out crops after the trees had been brought into flower by a similarly warm winter. The same thing happened to the grape crop that year too. The national Weather Service says there is a 50-50 chance of the last frost of the year taking place by April 4th. Dan Chapman, director of the University of Arkansas System Division of Agriculture Fruit Research Station, said peach blossoms can take a little frost, but that is was a very fine line between the flowers surviving and the crop being lost decimated.

"Twenty-eight degrees seems to be the magic number," Chapman said. "You can lose some of the blooms in the low 30s, but about 28 degrees, that seems to kill the flower buds."

The worst that can happen is the petals falling off due to the frosts, thus exposing the immature fruits to the elements. Next week's forecast does not predict frost, but there is still plenty of time for this to change over the next weeks and even months and growers cannot yet rest easy.

Chapman said peach trees need a certain amount of cool weather before spring in order to bloom. "There are a lot of different theories about that," Chapman said. Some say the low temperatures have to remain between 32 and 45 for a certain amount of hours. Some peaches require only 400 hours of chilling. Others require three times as much. The duration of cool weather needed by different varieties is more of a concern for backyard growers, Chapman said.

Almonds—

Almond shipping numbers for February were released this morning. Again, we see another big month. Shipments for February were 149 million lbs. this year compared to 115 million lbs. last February. Year-to-date shipments are pacing 13% ahead of last year. Like month's previous, this could easily add fuel to the fire of already firm almond prices. Time will tell how market will react but assume we will see additional strength.