Weekly Commodity Markets Review

From: Joe Schmidt Date: February 10, 2012

On Thursday, U.S.D.A. released updated supply/demand estimates for 2011/2012. The initial reaction to the report—No big surprises; mostly neutral. The only notable changes were related to the pace of U.S. exports and adjustments to southern hemisphere production forecasts. Of the 12 monthly WASDE reports issued by U.S.D.A., this report would be ranked as the least important. Estimated 2011/2012 ending stocks of corn and wheat were reduced (due to larger export forecasts); the soy balance tables were left unchanged. The global reductions in Brazil soybeans (-2 MMT), Argentine soybeans (-2.5 MMT) and Argentine corn (-4 MMT) were sizable but largely anticipated. The USDA will release initial forecast of 2012/2013 supply/demand estimates on February 24 – importantly these will define expectations for the coming crop year, and will be of much greater importance than Thursday's report. After that, the market will await the March 1 stocks and Planting Intentions (each released 3/31).

U.S.D.A. plans to release its first look at 2012-2013 U.S. crops at its Ag Outlook Conference on February 23-24. Reuters took a poll of 23 grain analysts on what they see for 2012 U.S. corn and soybean plantings:

- Corn—The average trade guess was for 94.2 million acres versus 91.9 last year (range 92.7-95.0)
- Soybeans—The average trade guess was 75.3 million acres versus 75 million last year (range 73.8-77.5).

U.S. farmers are expected to plant the most acres to corn this spring since 1944, while soybean seedings are expected to expand slightly in the world's largest grower of both crops.

There have finally been some positive developments out of the European Union as far as restructuring Greece debt in the form of concessions. It also shows what an albatross the EU problems have been around the neck of U.S. markets. Late headlines say that Greek political leaders have reached a deal on austerity measures needed to secure another bailout.

A continuing weaker U.S. dollar is going to be Ag supportive.

Flour Markets:

U.S.D.A. Supply and Demand report estimated U.S. 2012 carryover down 3% from January estimates, mainly due to increased exports. World wheat carryover estimates were up. Corn and bean carryover estimates were slightly above the average trade estimates. Wheat futures were all lower this week. Basis levels were steady to a little lower. Cold weather in Europe has slowed export pace and increased concerns regarding winter wheat losses. Dry, moderate winter in the U.S. Upper Midwest and Canada has offered some concern for the yet-to-be-planted spring wheat crop. Moisture in the winter wheat areas of the U.S. has been welcomed, but some areas will need more as spring arrives.

The large spec funds continue to shrink the size of their net short position in CBT wheat. U.S.D.A. cumulative export shipments since June 1 are 115 million bushels below last year at this time. The marketing year ends May 31.

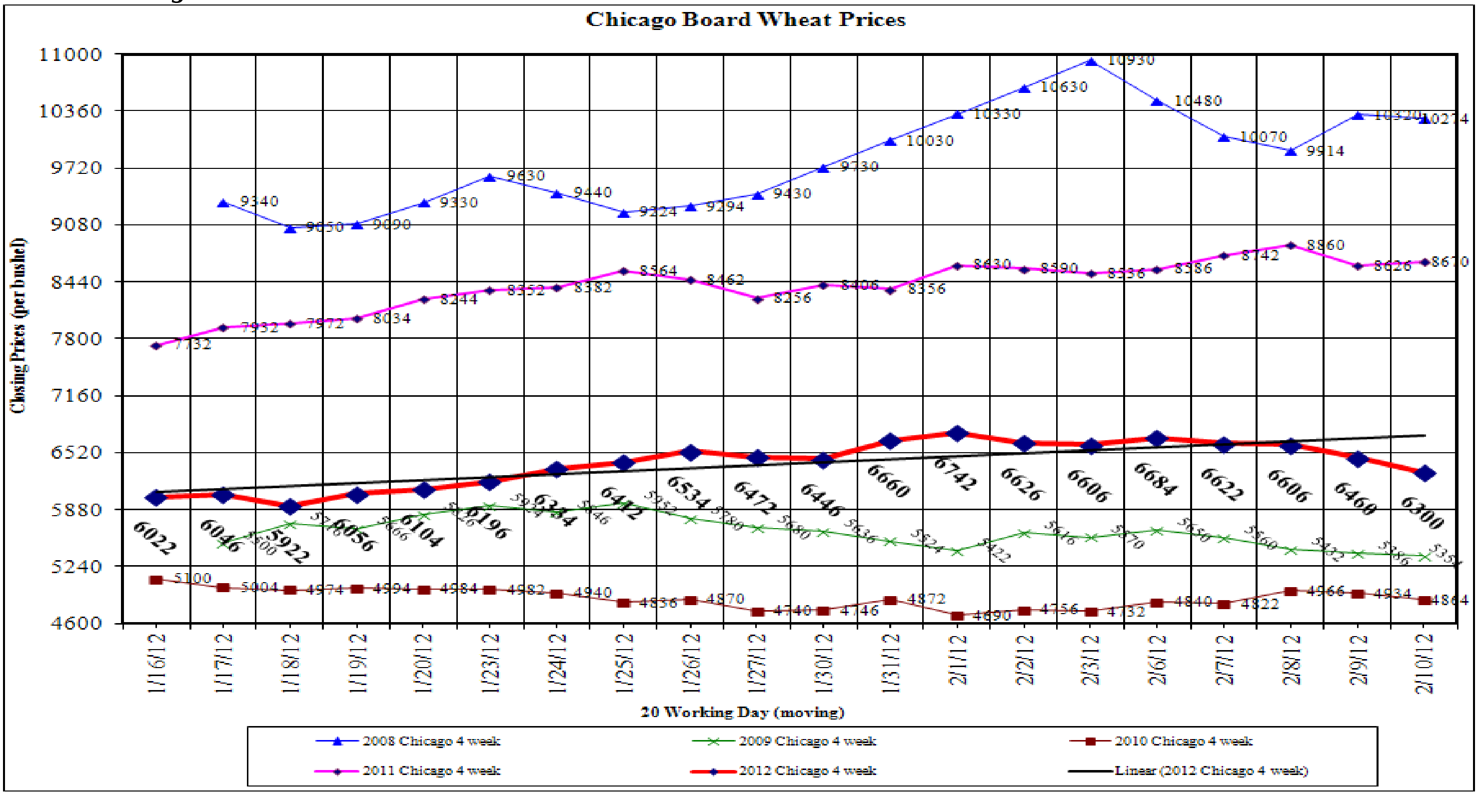
The Texas state crop report put winter wheat conditions at 26% good or excellent, with 43% rated poor or very poor. Soil moisture is still rated very short for more than 50% of the acreage in crop reporting districts 1-N and 1-S, in the Panhandle/High Plains part of the state.

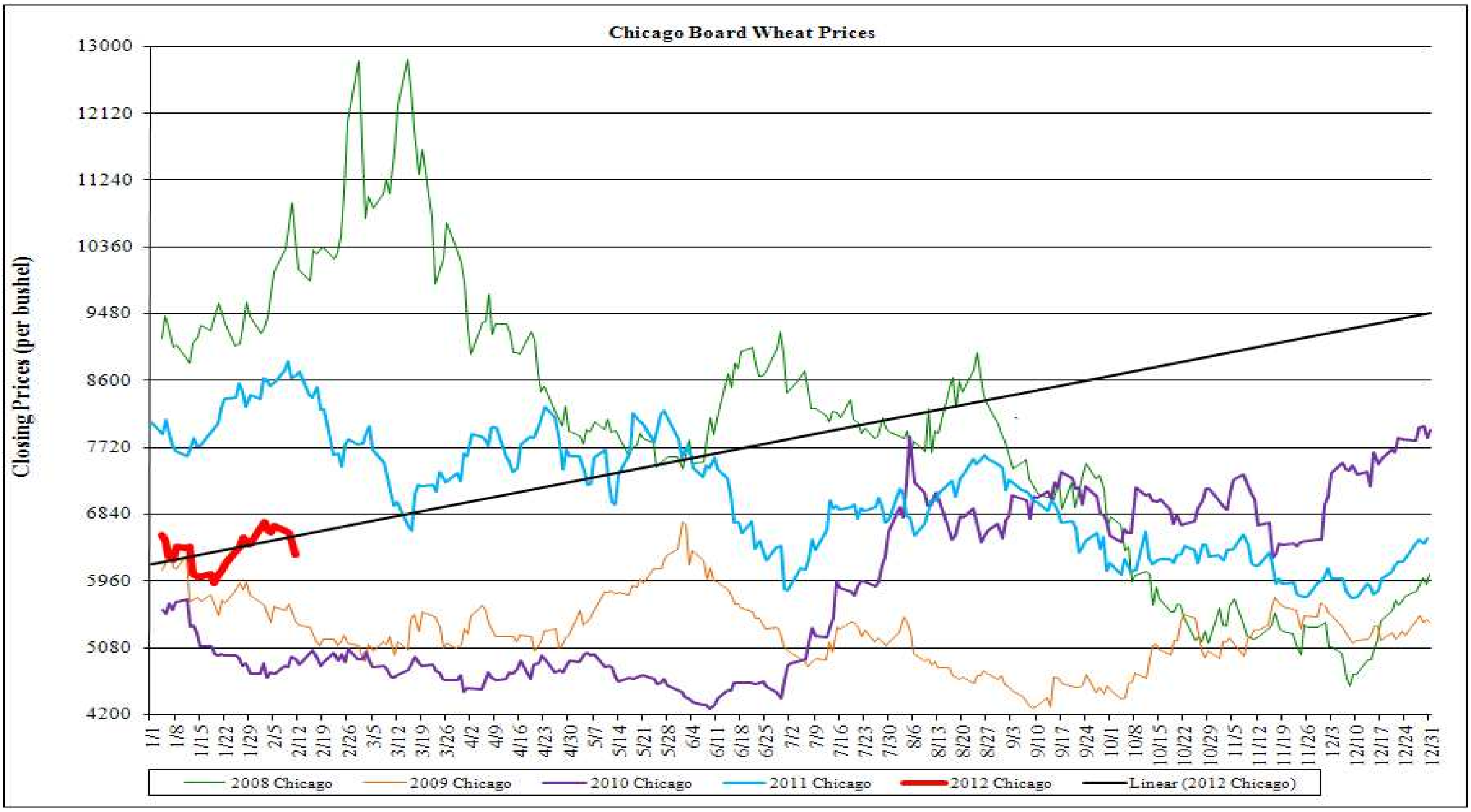
Despite dryness issues, expect combined durum and other spring wheat acreage to increase 17% to 16.125 million acres from last year. Historically high wheat prices, and a very wide spread between the Minneapolis and Chicago contract, are promoting spring type wheat expansion. Expect March Chicago to trade in the $6.24-7.05 range over the next month. Support in Minneapolis is seen at $7.75.

In Thursday's S&D, U.S.D.A. lowered the 2011-2012 U.S. wheat carry over by 25 million bushels to 845 million. That was 22 million below trade guesses and compared with 862 million last year. Exports were hiked 25 million bushels to 975 million versus 1.289 billion last year. The average farm price was raised $0.10/bushel to $7.30 versus $5.70 last year.

By class, the hard red winter wheat carryover was lowered 5 million bushels to 333 million versus 386 million last year; hard spring was raised 10 million to 149 million versus 185 million last year; soft red was lowered 15 million to 243 million versus 171 million last year; white was lowered 15 million to 97 million versus 277 million last year; durum was unchanged at 23 million versus 35 million last year. The 2011-2012 world wheat carryover was raised to 213.1 million from 210 million and was above trade guesses for 209 million.

a. Chicago Board Wheat Prices

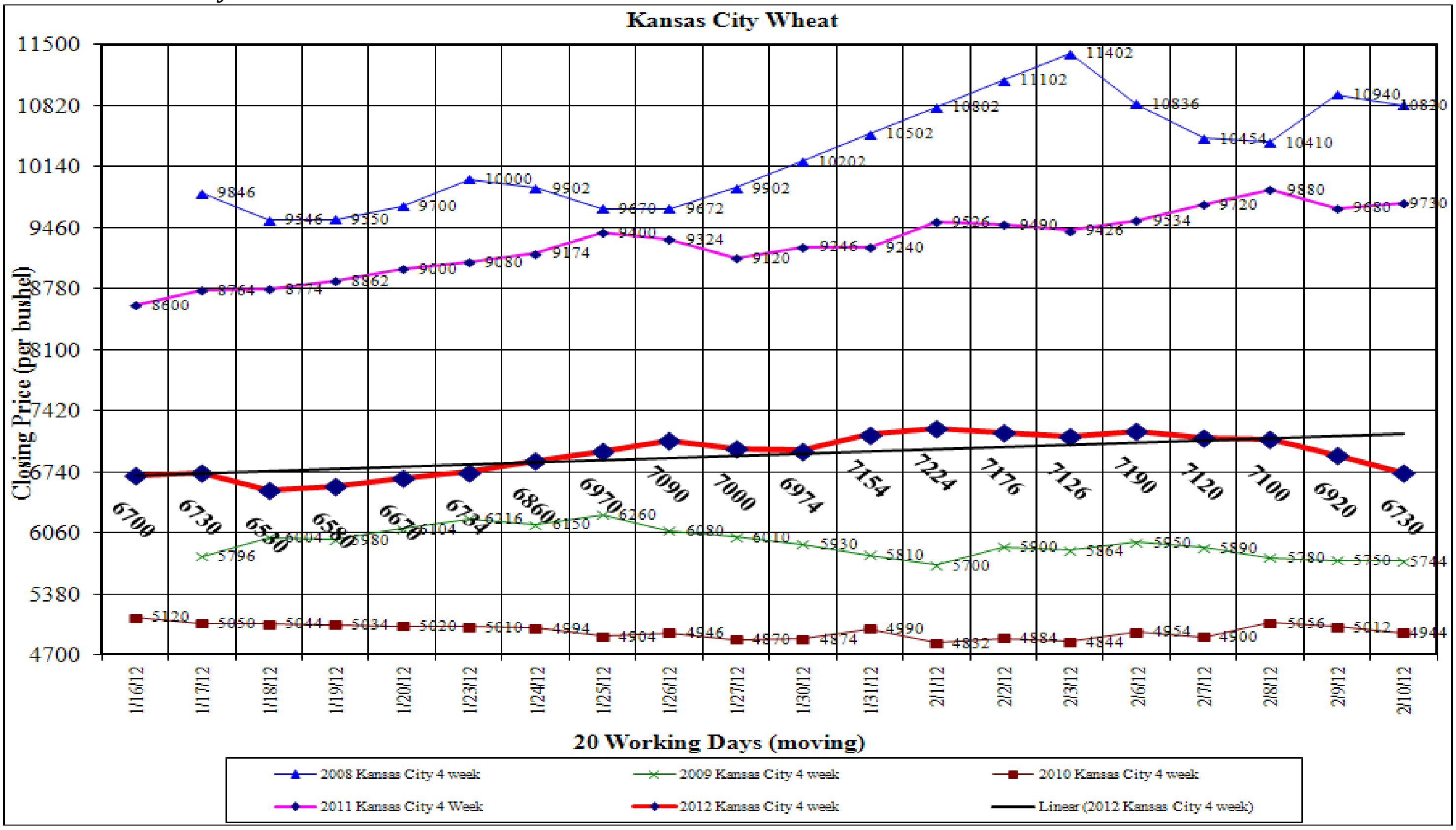


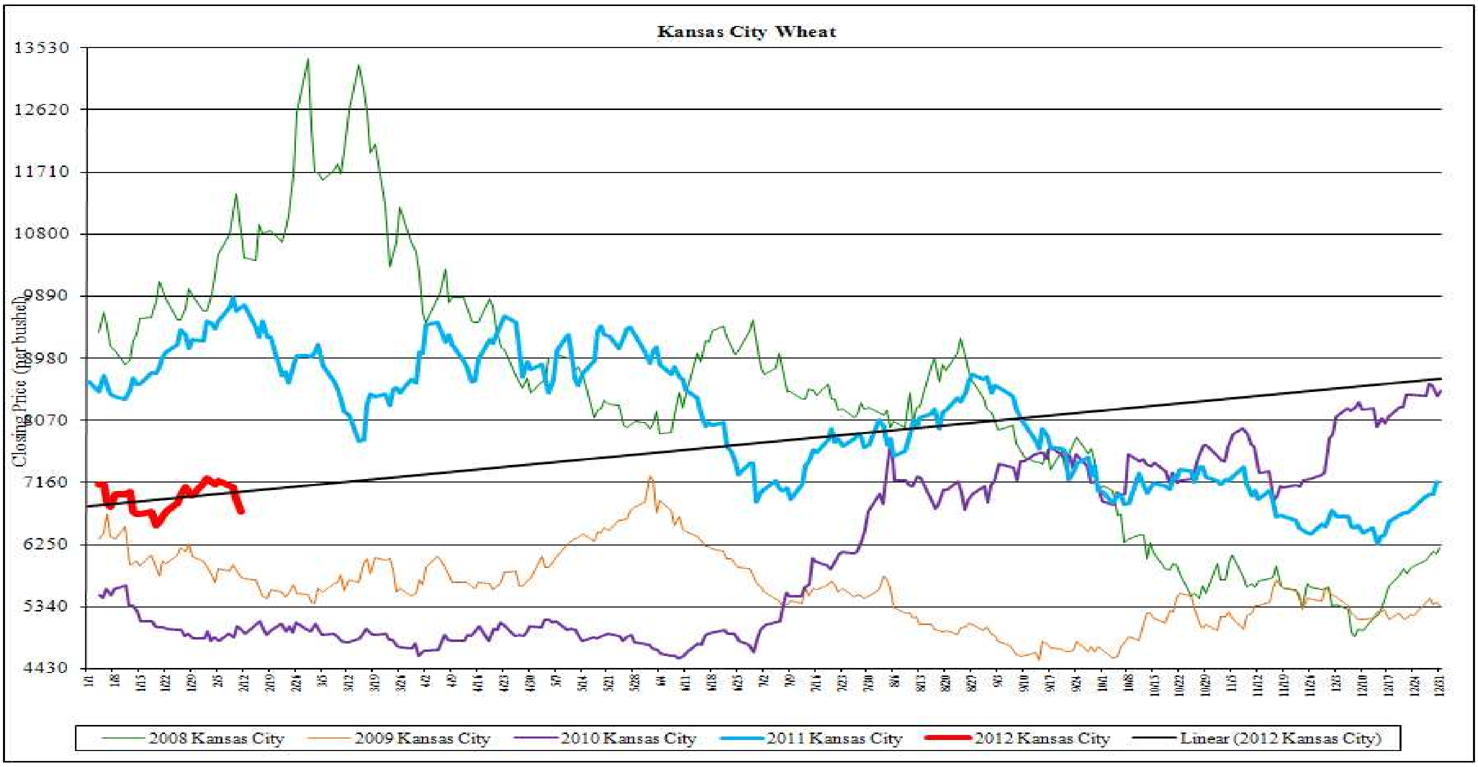


The Chicago Board chart above shows the price activity for the last 20 working days (one full period). Flour made from the wheat traded on this board includes **CAKE AND PASTRY** flours.

Cake and Pastry flour closed down $0.70/cwt from last Friday's close.

b. Kansas City Board Wheat Prices

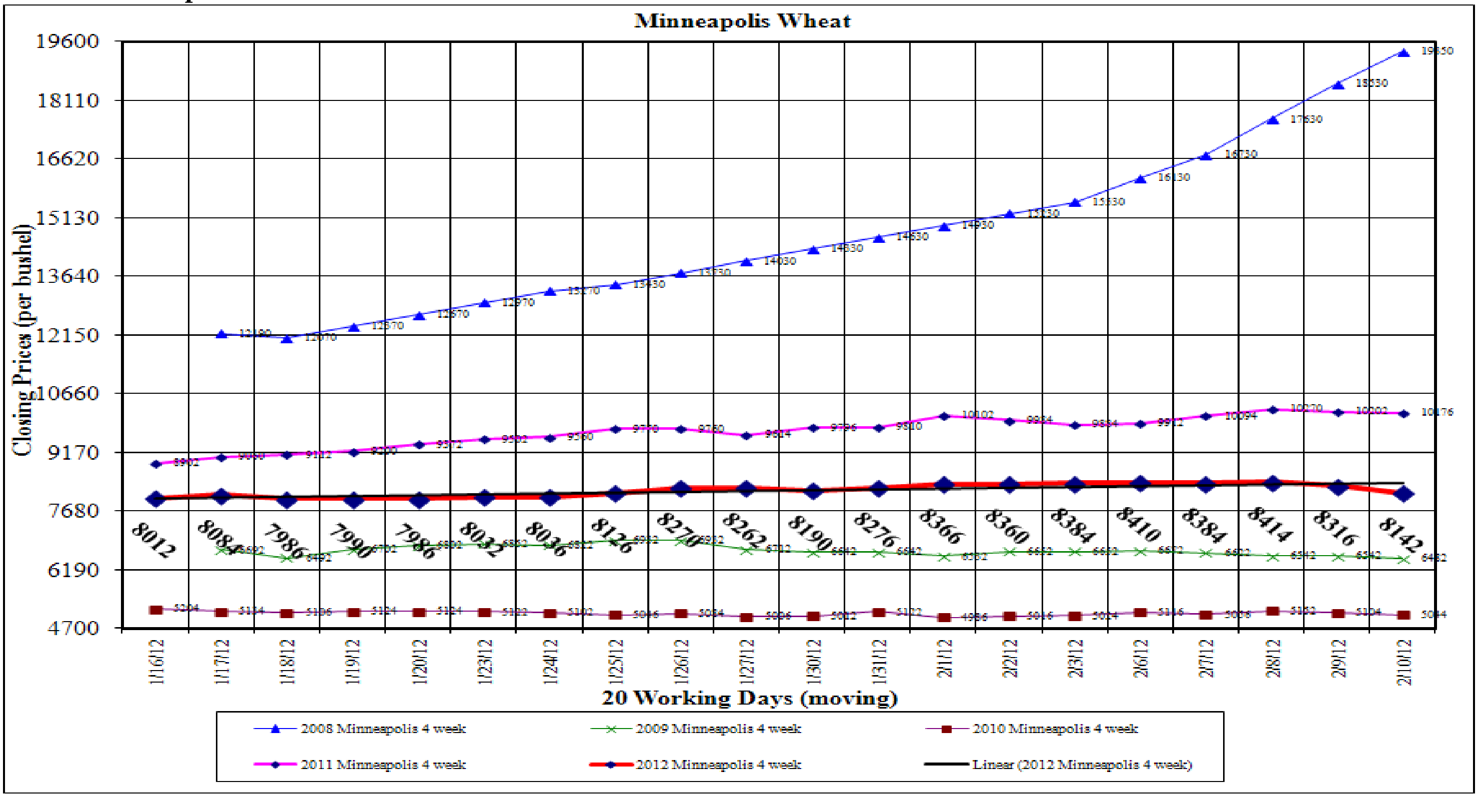


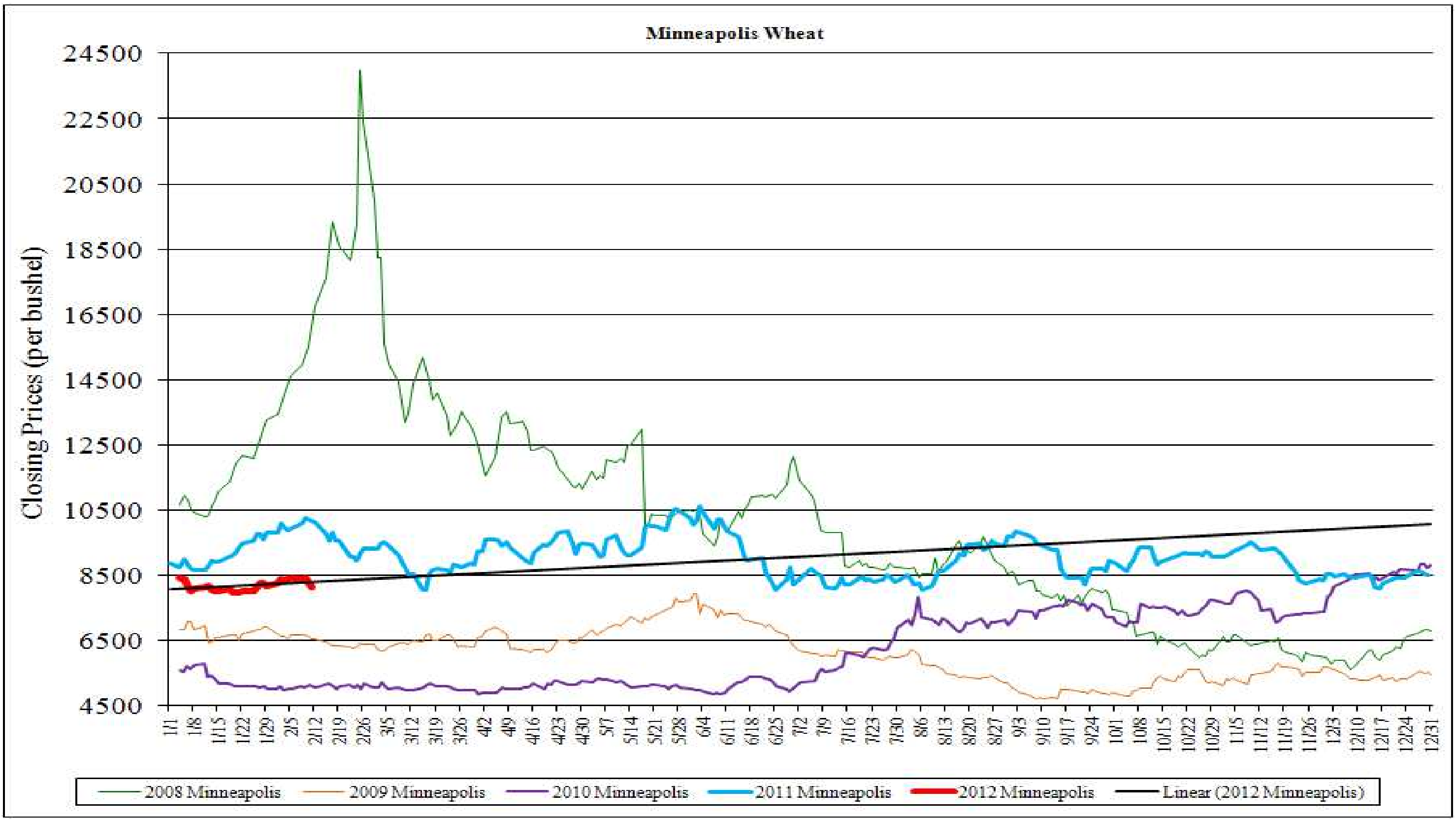


Kansas City Wheat is used to make **Hard Red Winter Patent flours (white pan bread) and H&R flours.**

Hard Red Winter wheat flour closed down $0.91/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 $0.56/cwt. off last Friday's close.

<u>Shortening Market:</u>
In Thursday's report, U.S.D.A. left the 2011-2012 U.S. soybean carryover unchanged at 275 million bushels. The trade wasn't expecting much change. Such compared with 215 million last year. The crush was unchanged at 1.615 billion and exports unchanged at 1.275 billion. The average farm price was unchanged at $11.70 versus $11.30 last year. U.S.D.A. made no changes to the U.S. soy oil or soy meal balance sheets. U.S. soy bean export shipments since September 1 are now 755.6 million bushels, about 268 million behind last year. The 2011-2012 world soybean carryover was lowered to 60.3 million tons from 63.4 million and was below trade guesses for 61.4 million.

Private exporters announced the sale of 120,000 MT of soybeans to China for 2011/2012 delivery this morning. One bearish note in yesterday's monthly WASDE report was the reduction in projected Chinese imports for the 2011/2012 marketing year. The forecast is still above last year, however. As of February 2nd China had imported 14.809 MMT versus 18.121 MMT at the same time last year.

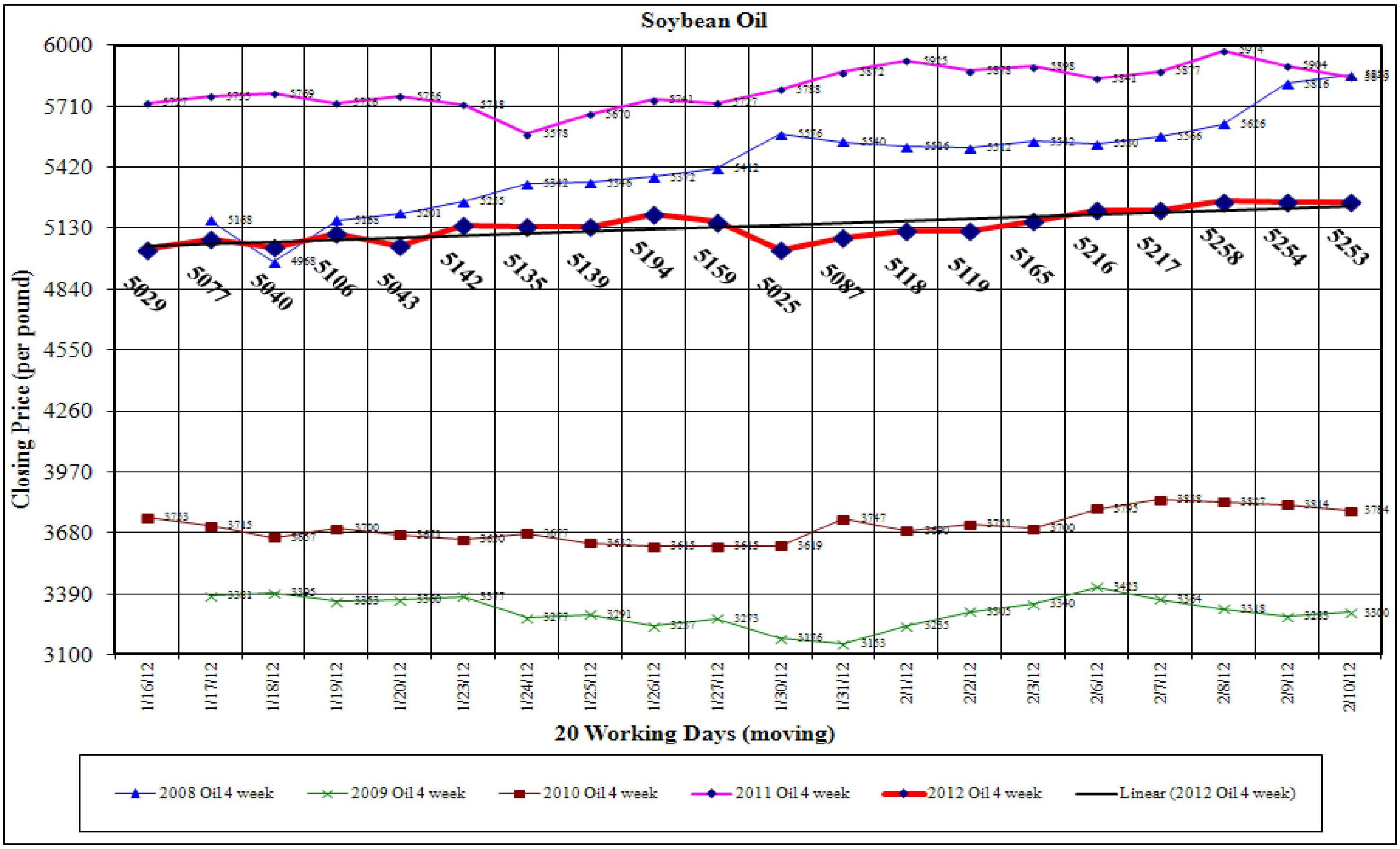
Argentina's latest soil moisture map showed an improvement and the drier areas will get additional rain this weekend, although Southwestern Argentina will remain dry. Brazil's interior south dried out over the past week but the drier bias was good for early harvested soybeans.

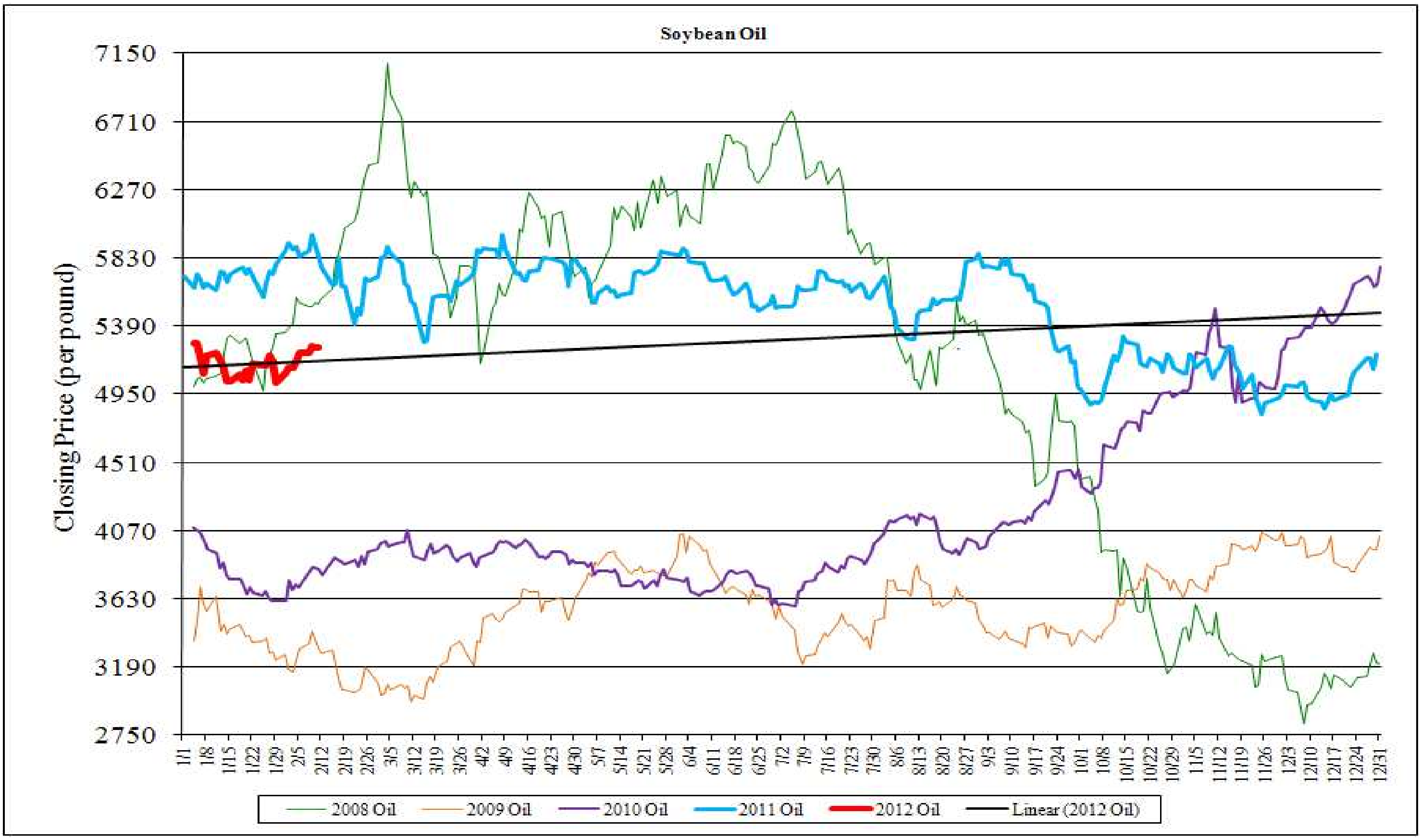
Expect March soybeans to remain in a $11.75-12.90 trading range through the end of February. The November new-crop contract is expected to decline back to the $11.20-11.50 area this spring is the U.S. area is projected to end up over 75 million acres.

Soy oil was well supported on ideas that EU rapeseed crops might have also been hurt by the deep freeze. Soybean oil is seen holding in a $0.50/lb.-$0.535/lb. range. A price recovery above $0.535/lb. should be limited to $0.54/lb. Buyers should look to add ownership on pullbacks in the oil market to the $0.50/lb. - $0.51/lb. area.

Oil World says Chinese are to step up palm oil imports; soy oil imports to be steady.

Shortening closed up $0.48/50# cube ($0.33/35# pail of oil, $0.0096/lb. for bulk oil) for the week.


Soybean Oil
Closing Price (per pound)
20 Working Days (moving)
2008 Oil 4 week
2009 Oil 4 week
2010 Oil 4 week
2011 Oil 4 week
2012 Oil 4 week
Linear (2012 Oil 4 week)


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

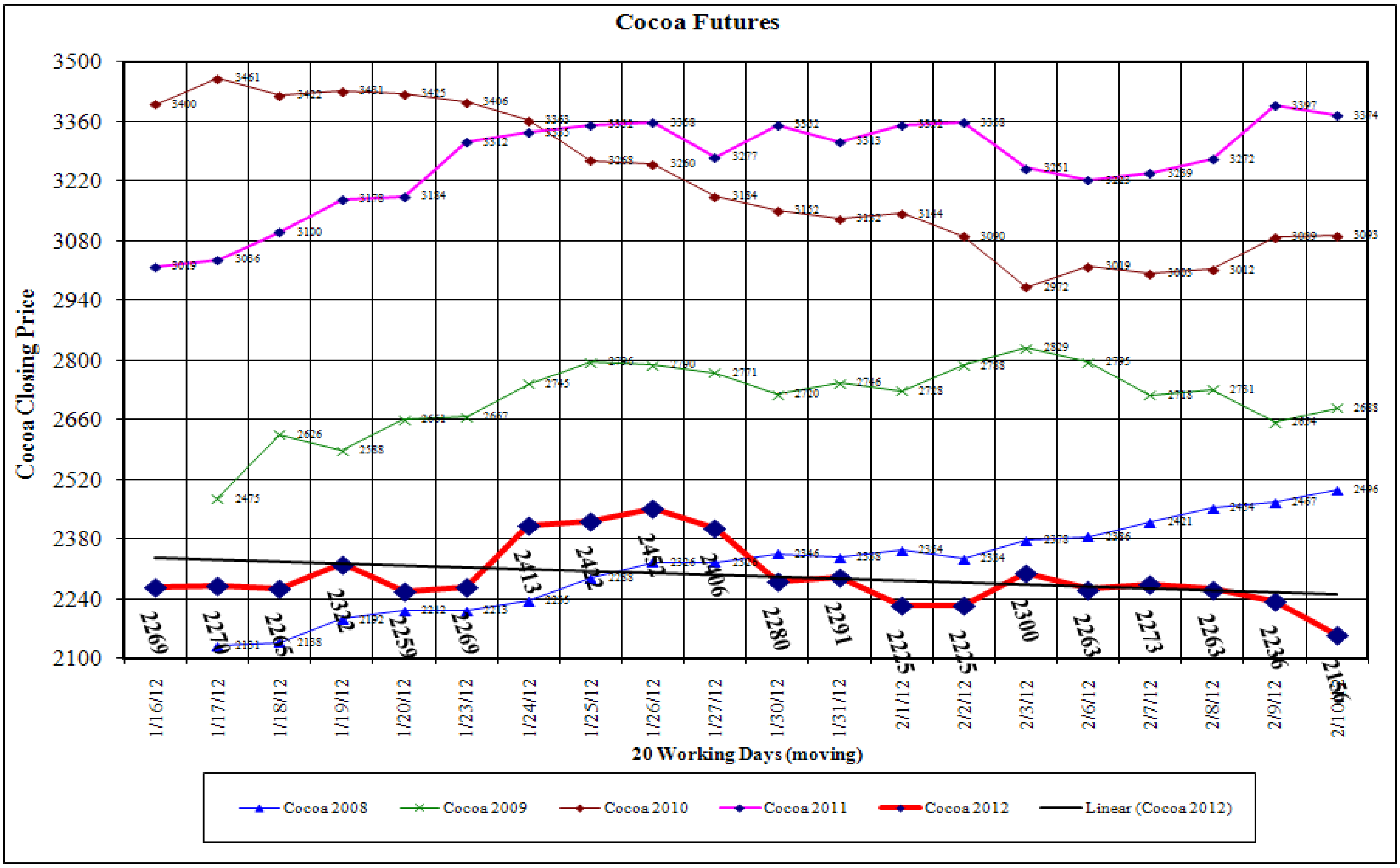
Cocoa Market:
Fresh news on potential new risks on the size of West African mid-crops triggered a surge in cocoa futures at the start of the year. Dryness and heat in West Africa raised concerns about this season's output and the probability of a higher than expected deficit. In particular, the persistence of dry weather in Ivory Coast combined with a strong Harmattan put the survival of an otherwise healthy pod set for the coming mid-crop at risk. This provided an argument for speculators to cover their short positions, sustaining a rally for several days. Speculative buying coming to end and origin selling put some pressure on the market later on. Cocoa futures extended losses after Ivory Coast's sector regulator confirmed their commitment to start forward selling as of January 31st. The weather outlook and the success of the reform will be the main market drivers for the coming weeks, as the main West African hedging season is more or less over.

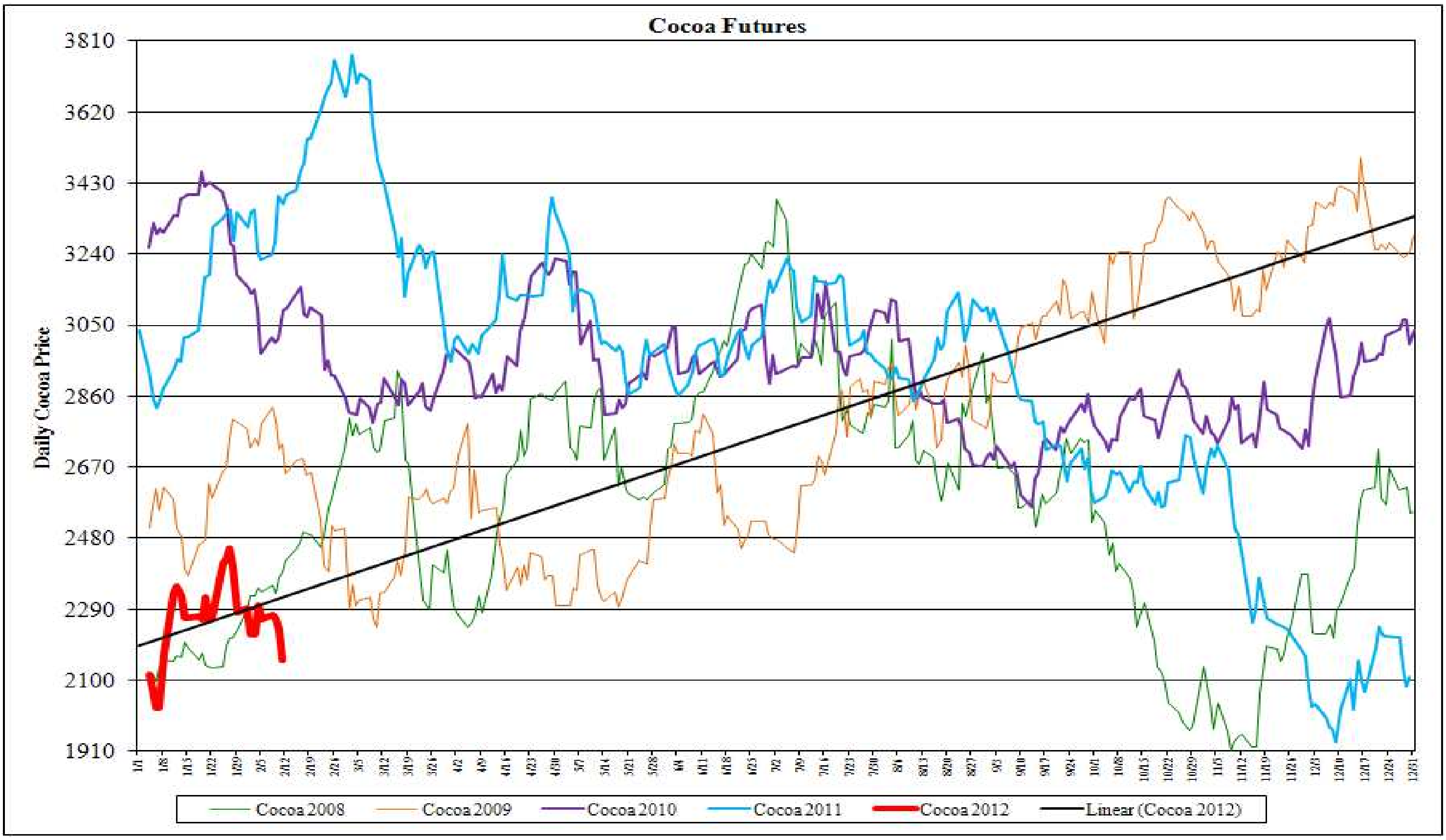
Cocoa butter prices have continued their rally, helped by a higher terminal market. Amid slow interest from the buyers, butter prices edged higher in the last weeks. Prices are currently around 2.200 EUR, and buyers are willing to wait before stepping in the market, hoping prices might move back to 2.000 EUR. From a cover perspective, buyers are in a comfortable position and can wait, but waiting does not guarantee a better price. It is worthwhile to consider that a butter price of 2.200 EUR is not expensive in historical perspective.

The economic situation in the major developed cocoa powder markets, the U.S. and Europe, remains uncertain. The prices of commodities that are used in combination with cocoa powder, such as sugar, milk, oils, fats and wheat, remain high, although some signs of relaxation can be seen. The total ingredient costs have balanced the supply and demand of cocoa powder. A further relaxation of these ingredient costs will stimulate consumption particularly in the emerging markets.

The terminal market volatility in January added to powder buyers' discomfort. Expect this volatility to continue in the light of the scheduled reforms of the Ivory Coast cocoa sector. Given the uncertainty, powder buyers showed interest in fully covering 2012, taking advantage of prices that found support at a lower level.

Cocoa closed down $144.00/ton for the week (compared to last Friday's close).


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

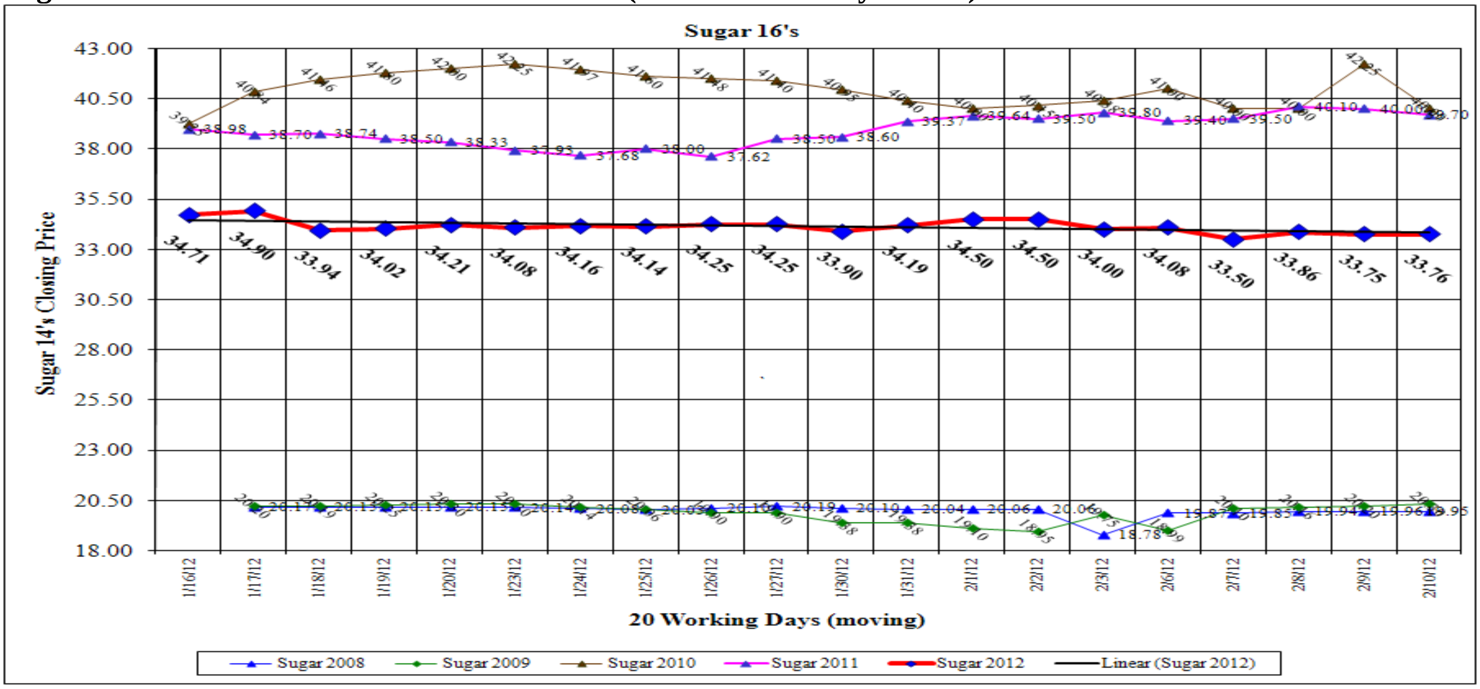

Cocoa Futures
Daily Cocoa Price
Cocoa 2008
Cocoa 2009
Cocoa 2010
Cocoa 2011
Cocoa 2012
Linear (Cocoa 2012)

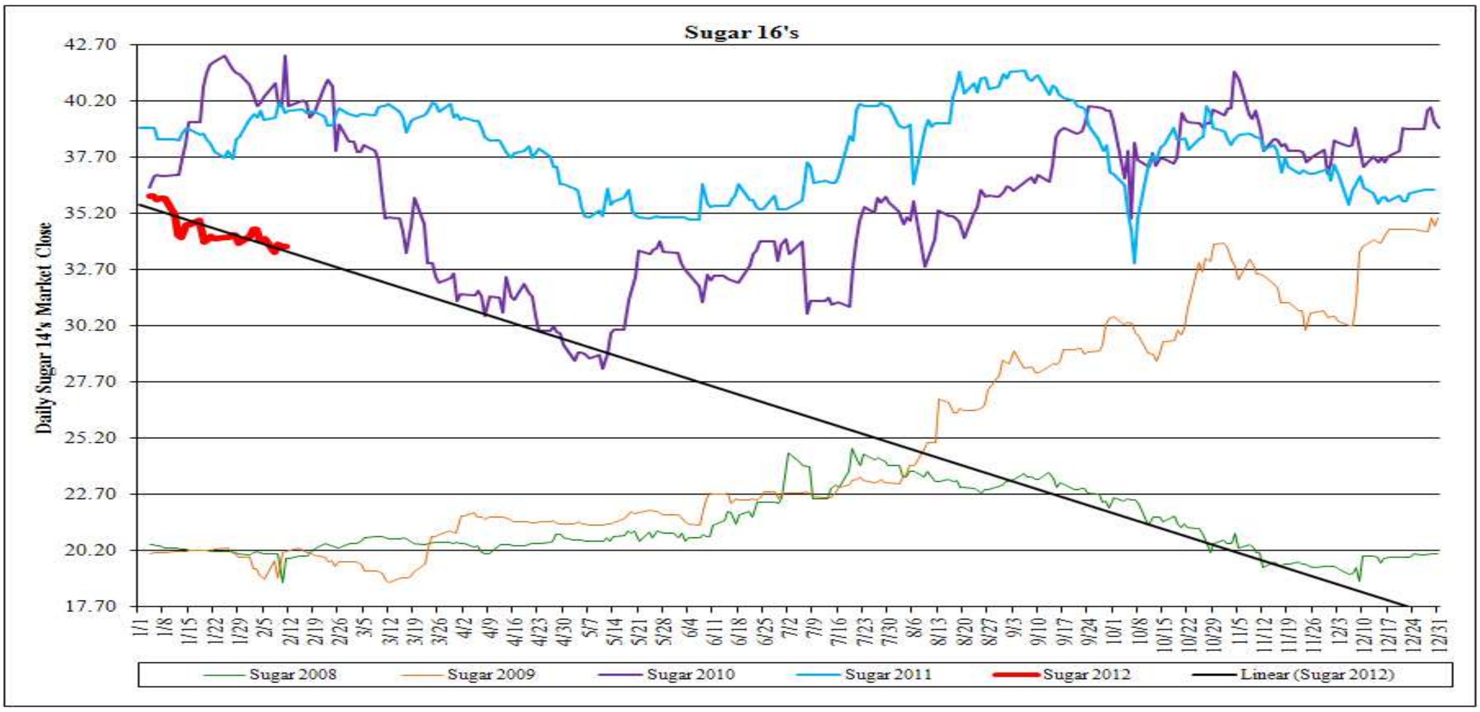
Sugar Market

World sugar prices ended up nearly unchanged in January despite being higher for most of the month. Price weakness during the last week of January erased almost all of the earlier gains. Trade estimates for a good-sized world surplus, combined with a larger than expected hedge fund/speculator long position, brought in enough selling at the month's highs to push prices back to just about where they started the month. As the world surplus will not be felt until the last half of 2012, there is still some nearby supply tightness keeping prices from falling.

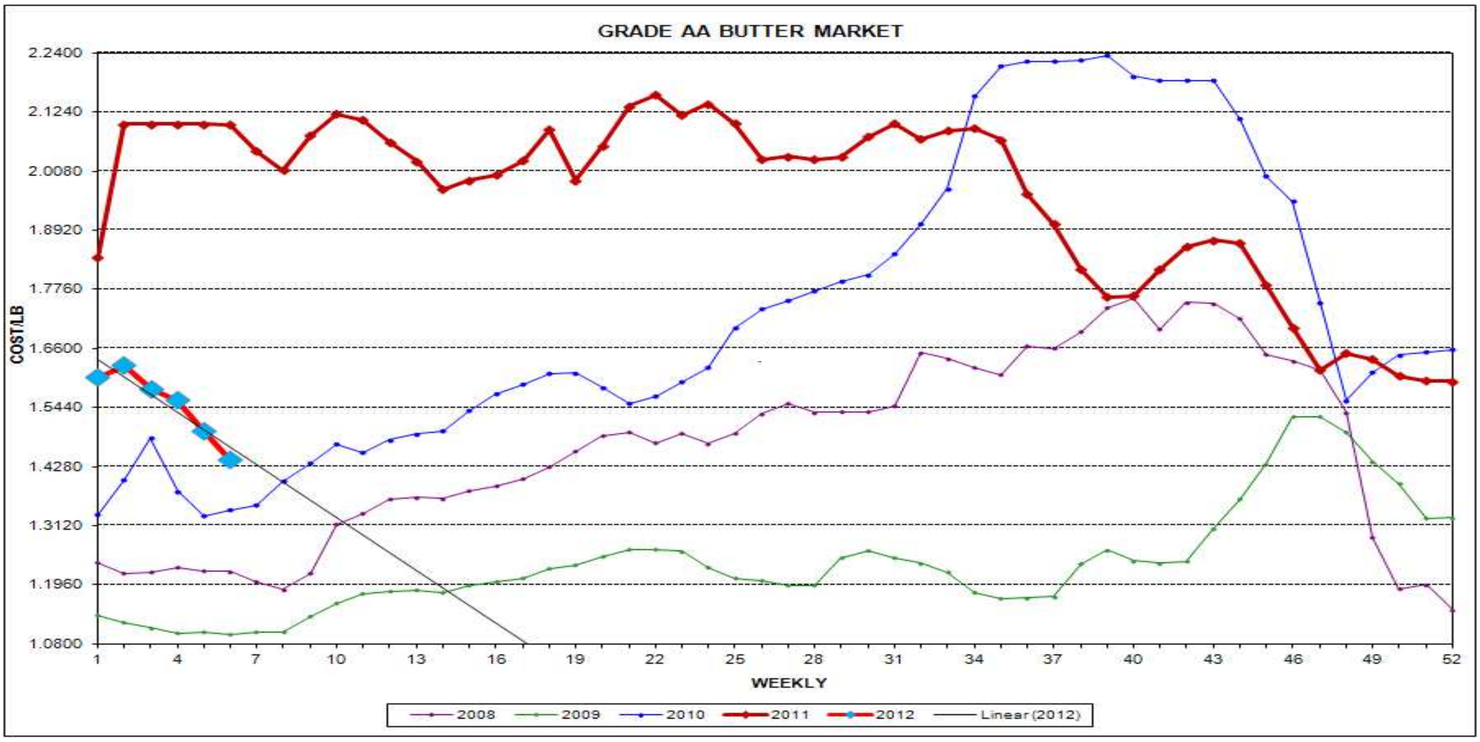
Domestic sugar prices weakened a shade in January despite a bullish WASDE report from the U.S.D.A., which reduced the size of the expected ending stock number for the current crop year to less than a 3 week supply. The U.S.D.A. will almost certainly raise the import quotas on April 1st, so the stock level will rise from there, but only the U.S.D.A. knows by how much. Prices should remain unchanged for the near future.

Sugar 16's closed down $0.24/cwt for the week (versus last Friday's close)





Butter Dairy Market



Score AA butter closed "no change" on Friday, ending the week at $1.4325/lb. The weekly average is $1.4425/lb. down $0.0555/lb from last week's average.

A. Butter Market

The butter price continues to steadily decline on basically a daily basis and settled at $1.4325 at week's end, the lowest cash price in nearly two years. Churning activity across the country remains strong. Cream supplies are plentiful to churns with some cream volumes clearing from one region to another to secure a buyer or processing capacity. Current churning activity continues to surpass demand and clearances to inventory continue. Domestic buying interest is fair. Reports indicate that overall orders have slowed, which is typical for a time when the cash price is weak and declining. Again this week, Cooperatives Working Together (CWT) announced the acceptance of export assistance requests for nearly 3.4 million pounds of butter for shipment now through June 2012. The announcement also included cheese assistance with the destinations for the various dairy products being: Asia, Europe, the Middle East, and Northern Africa. Within the past two weeks, 14.4 million pounds of butter have received export assistance through CWT.

NASS prices for butter and non-fat milk powder changed little during January, while whey and lactose prices continued to move higher. Now that the peak holiday demand season is behind us, some price pressure might be expected due to continued strong milk production in the U.S., perhaps in part due to mild winter weather. U.S. milk production in December increased by 2.5%; it was the 25th straight month of increases. Production for the full year was up by 1.8%. Milk production in other parts of the world is also generally higher.

Cheese prices have weakened, and this is said to have cut back on their milk usage, causing more milk to flow into the balancing plants as evidenced by increasing production and stocks of butter and non-fat powder. Stocks of these two products are still below ideal levels, so additions to inventory would be welcome. As long as milk production remains strong, prices are likely to ease further in the near future, although losses would likely be moderate.

B. Dairy Powders

Nonfat dry milk prices are trending lower in a weaker market. Offerings have increased and buyers have become more reluctant to take a position. Production levels are heavy and building to process available milk supplies. The dry whey market prices are steady to lower. Price adjustments in the West were made to secure domestic and export sales opportunities. Other spot loads are being offered with some buyer reluctance in an unsettled market. Whey protein concentrate 34% market trends are unsettled with lower prices noted for the series. The market tone is affected by competition with lower priced nonfat dry milk. Buyers are reluctant to buy and hold WPC. The lactose market is steady, buoyed by contract pricing and a steady demand from domestic and international customers. Dry buttermilk prices are trending lower on a weaker market trend. There are increasing volumes of buttermilk solids coming off the butter churns. Stock levels are moderate to heavy.

Eggs

Retail demand remains fair overall. Buyers are taking supplies at seasonally average levels in most cases, but there are some reporting that interest has slowed. Consumer buying patterns have not changed much since the beginning of the month, as retail features have had varying affects. This may be a result of a lack of “$0.99/dozen” ads—the price point which can sway consumer perception, as the majority note promotional levels above the dollar mark for one dozen large. Institutional and foodservice demand is average at best, with some stating that orders are below expected levels.

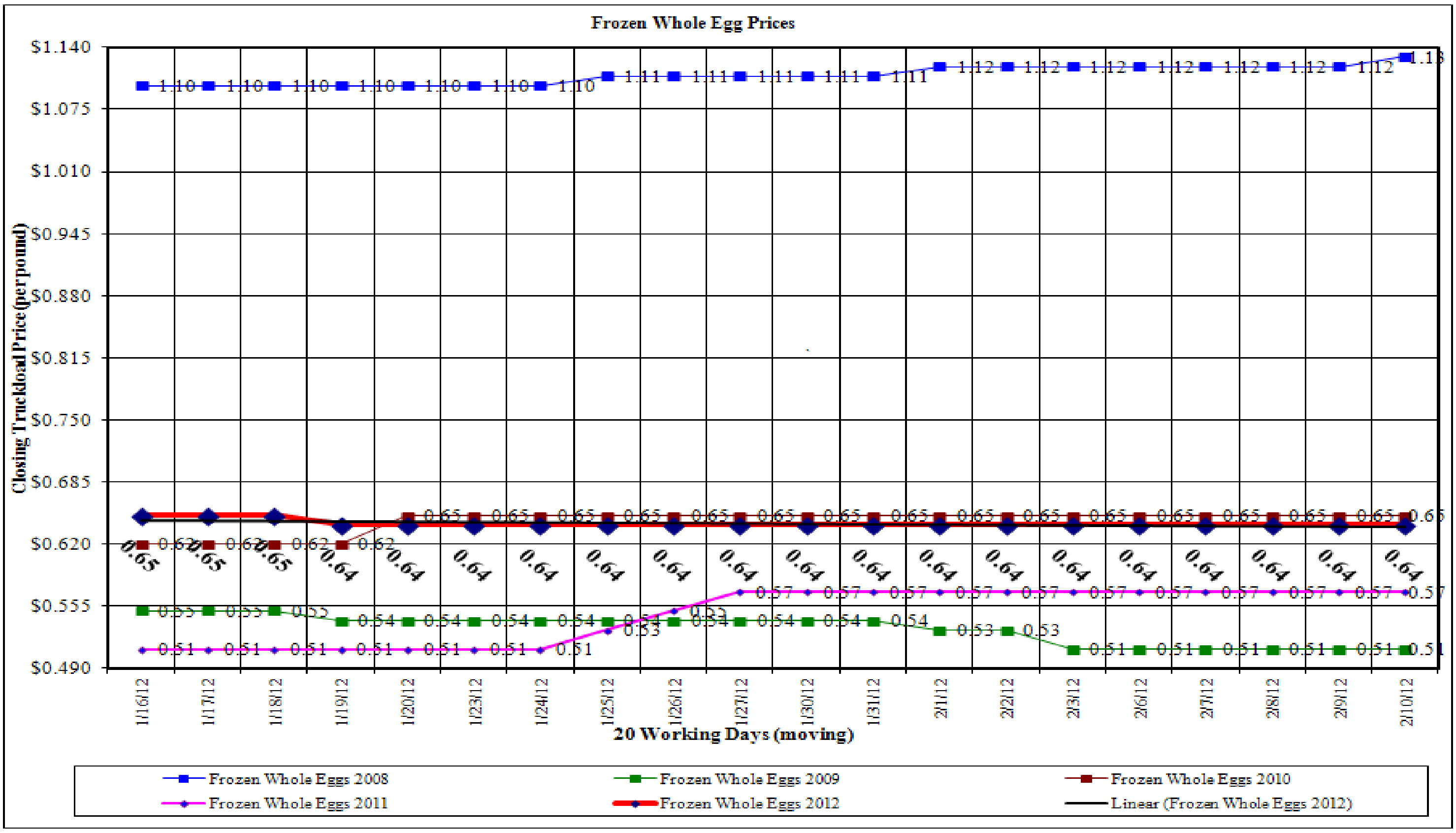
February can be a very slow time for foodservice in particular and some are beginning to see this reflected in their orders. Supplies of extra large and large are adequate. Jumbos are fully adequate. Mediums and smalls are available. Wholesale traders are mostly inactive however some have been able to fill future needs on the spot market. Bids to buy were quickly filled, as buying interest at these levels is extremely limited. Sellers are becoming slightly more open to negotiation, with most possessing the ability to fill their needs with stocks on the floor.

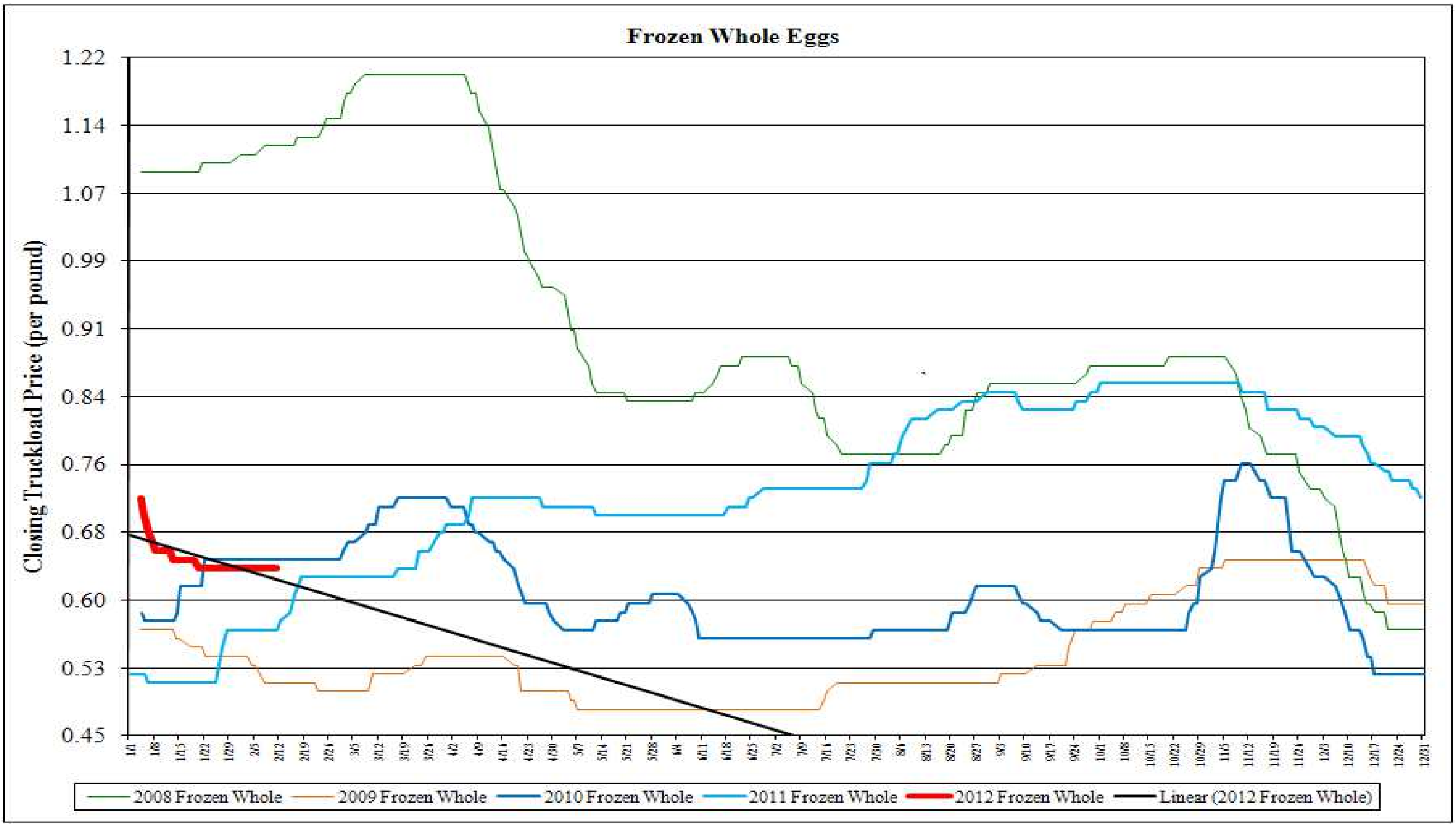
Broiler egg sets for the week were 94% of year ago levels and down from 95% from the last 2 weeks. Chick placements fell to 95% versus 96% last week.

Further processors are not active in the market, given the continued availability of liquid on the market. Sellers are holding asking prices firmly however.

Although trading is minimal, the products market is showing signs of life. Inquiry for liquid whites and whole egg is reported at current market values, however whole egg continues to move in a wide range. Demand for standard liquid yolk continues to be reported at the low end current market ranges, but trading volumes here are minimal. Frozen and dried yolk prices are being exported and demand is firming. Other items in the egg products complex are quiet and unchanged.

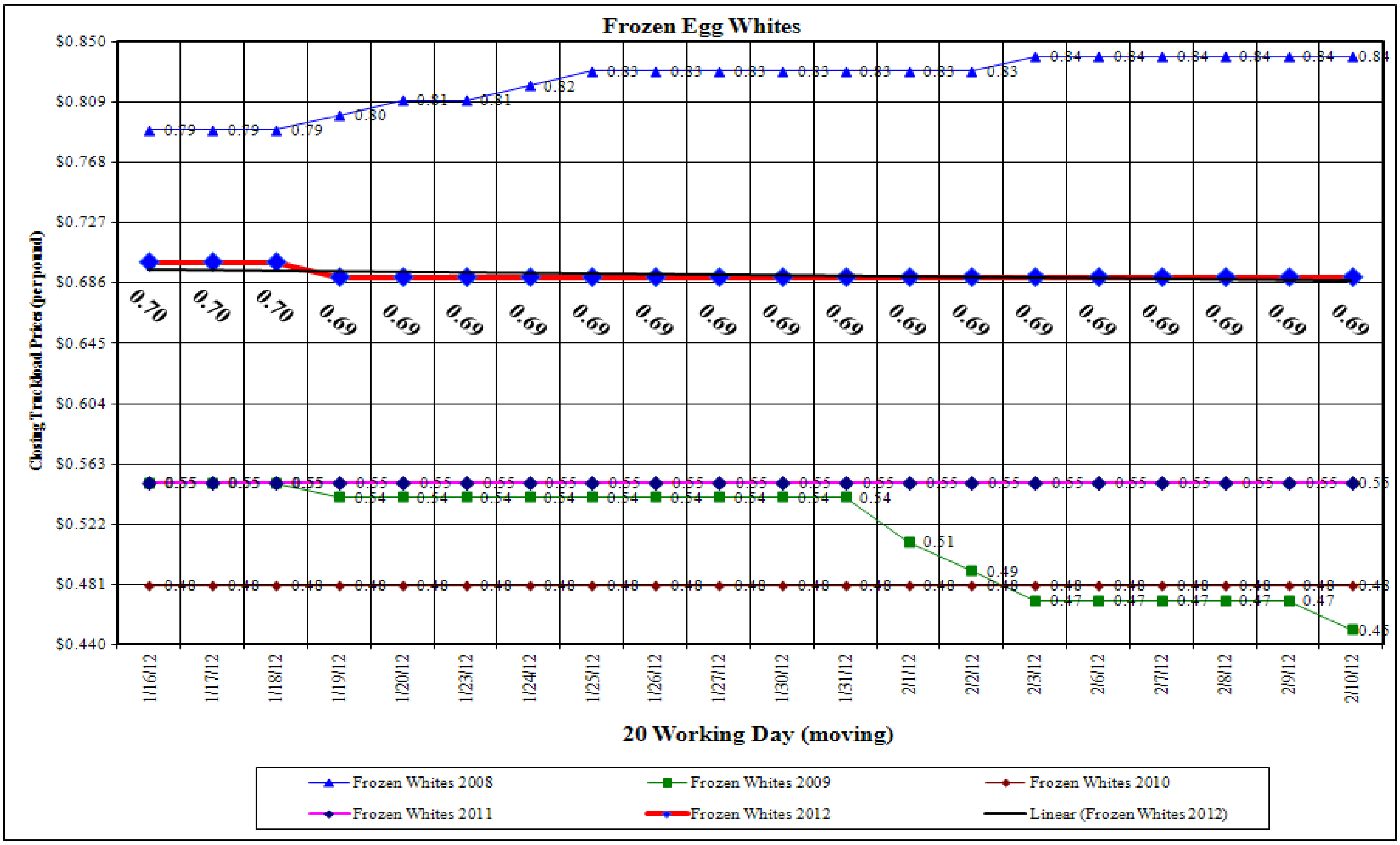
a. Frozen Wholes

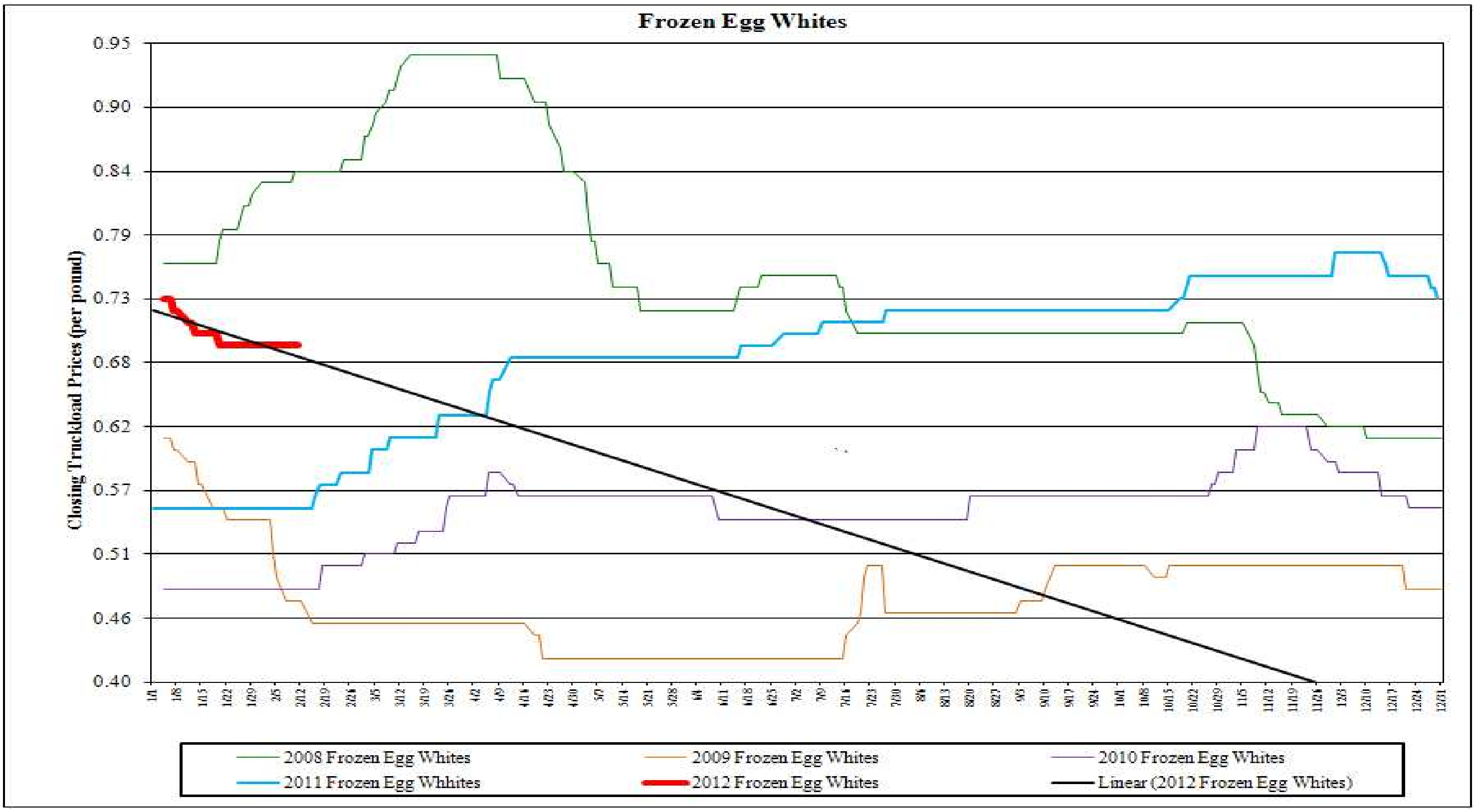




Frozen Whole Eggs closed "no change" for the week (compared to last Friday's close).

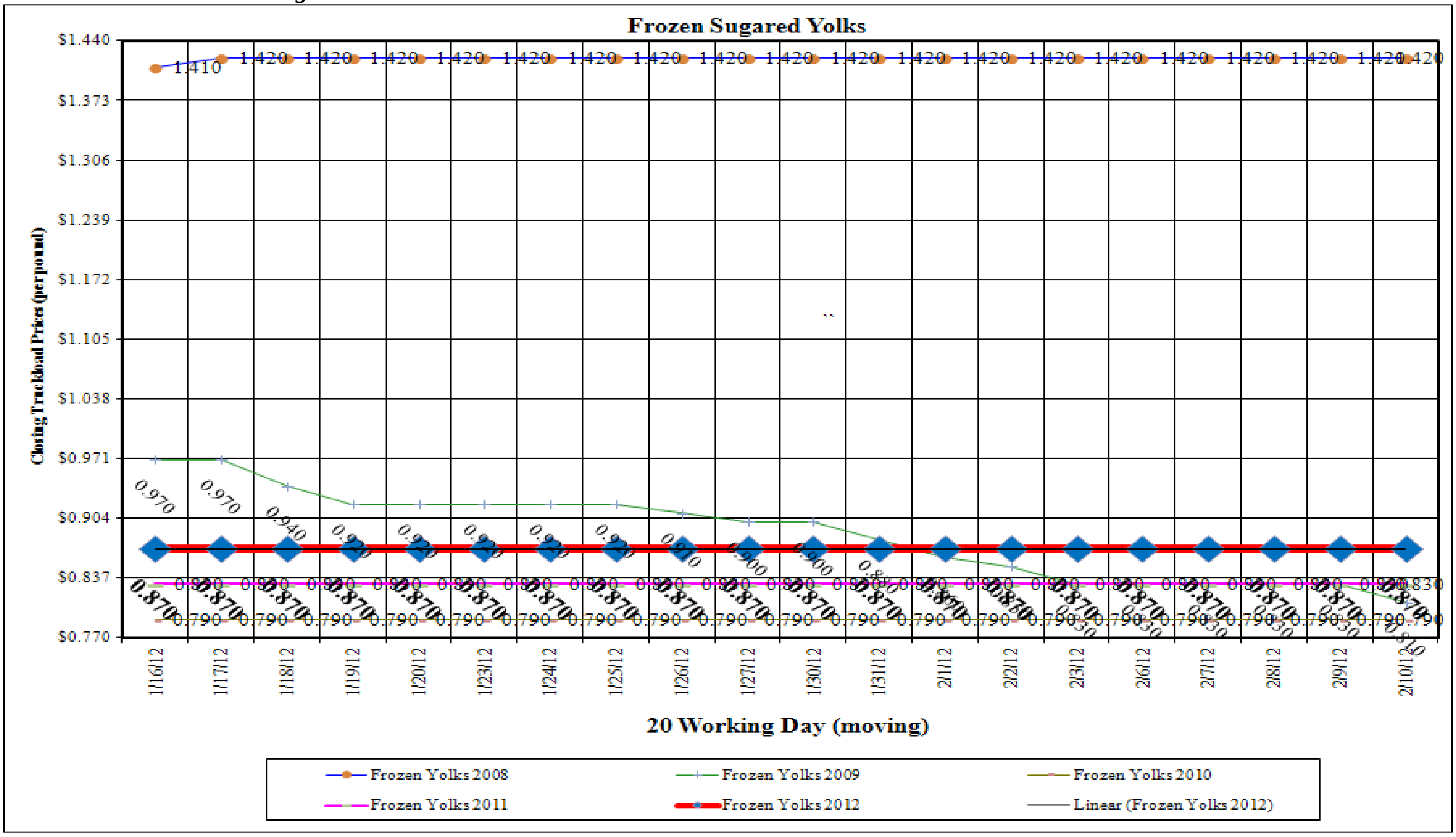
b. Frozen White

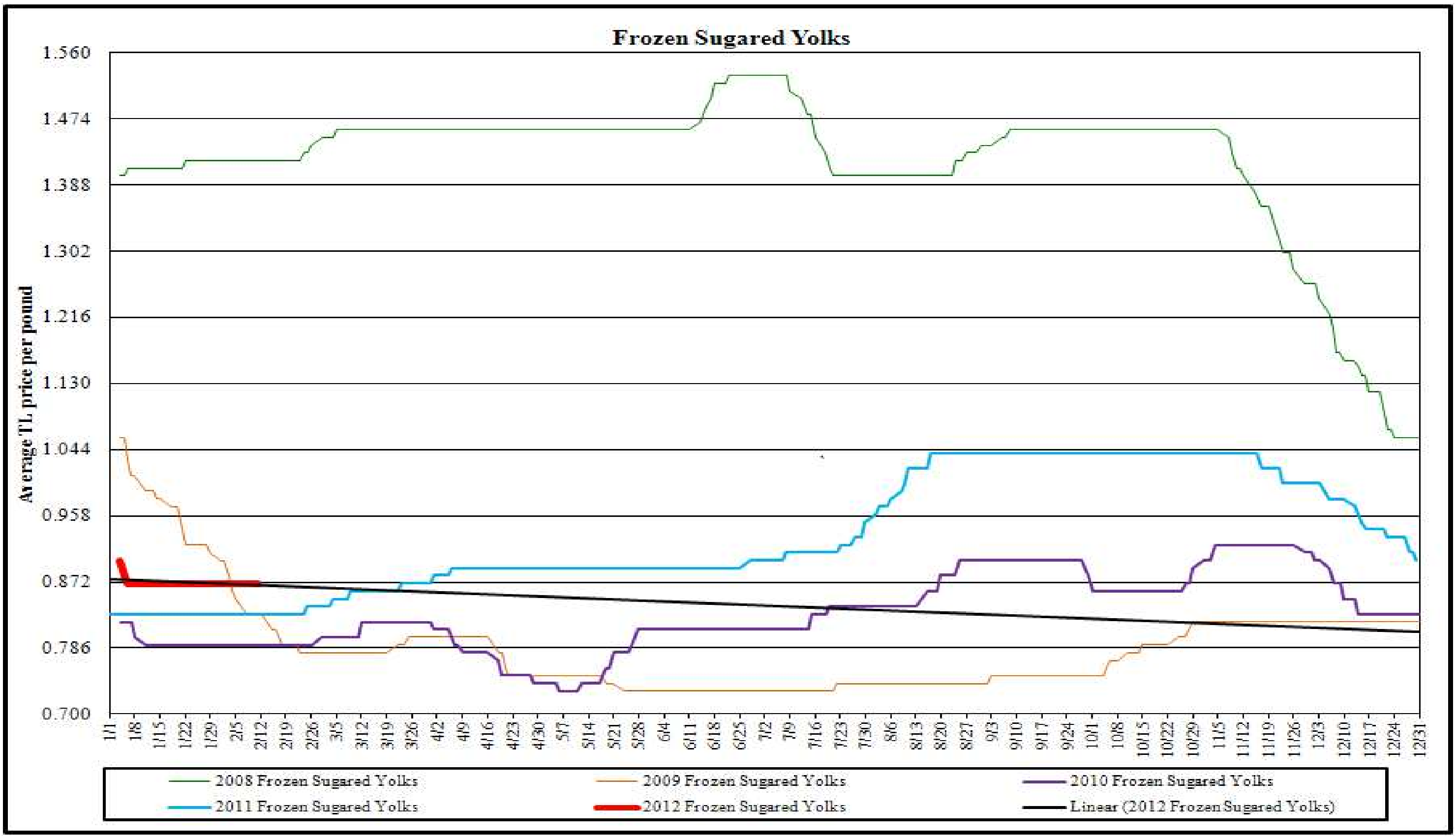




Frozen Egg Whites closed "no change" for the week (compared to last Friday's close).

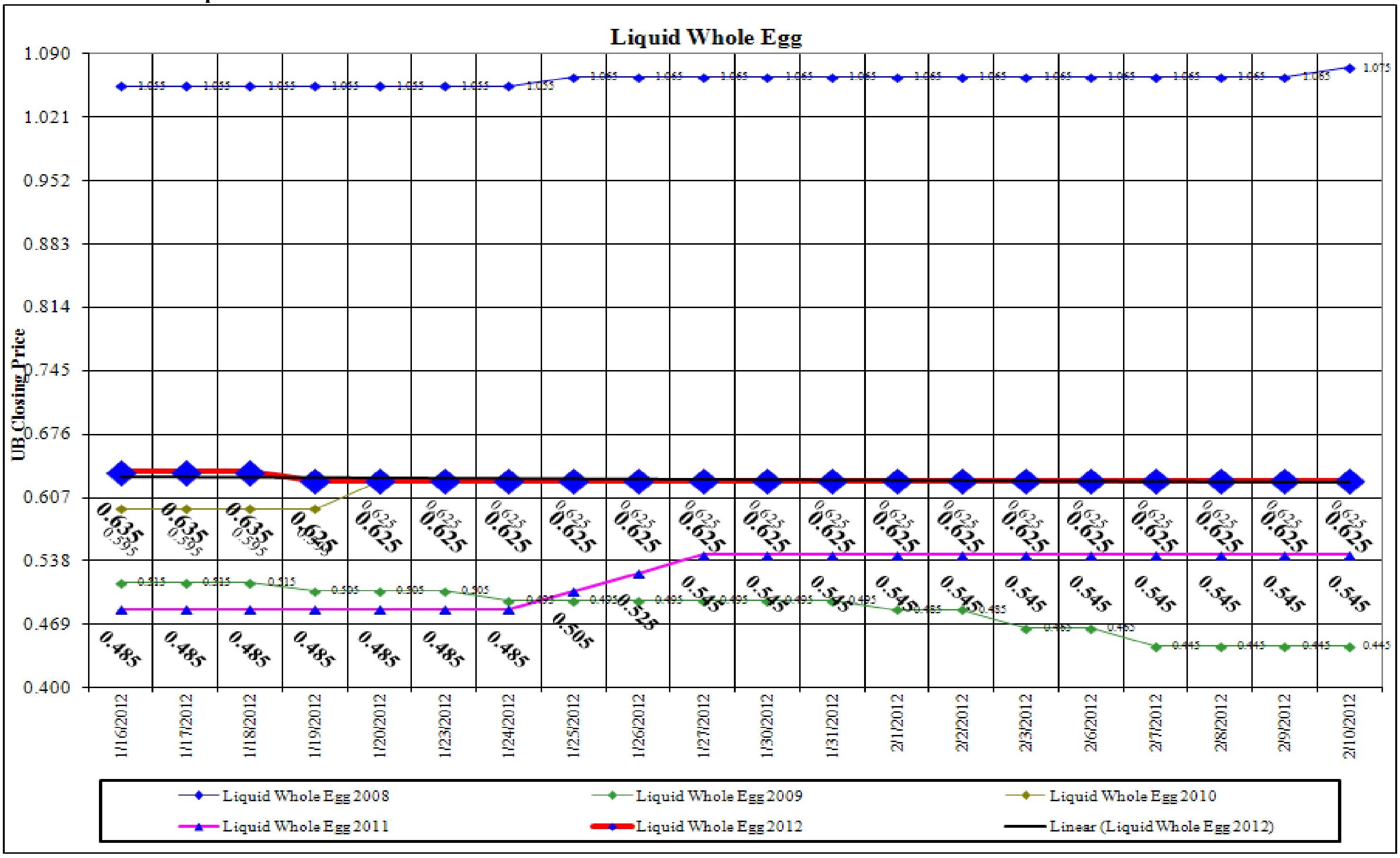
c. Frozen Sugared Yolks

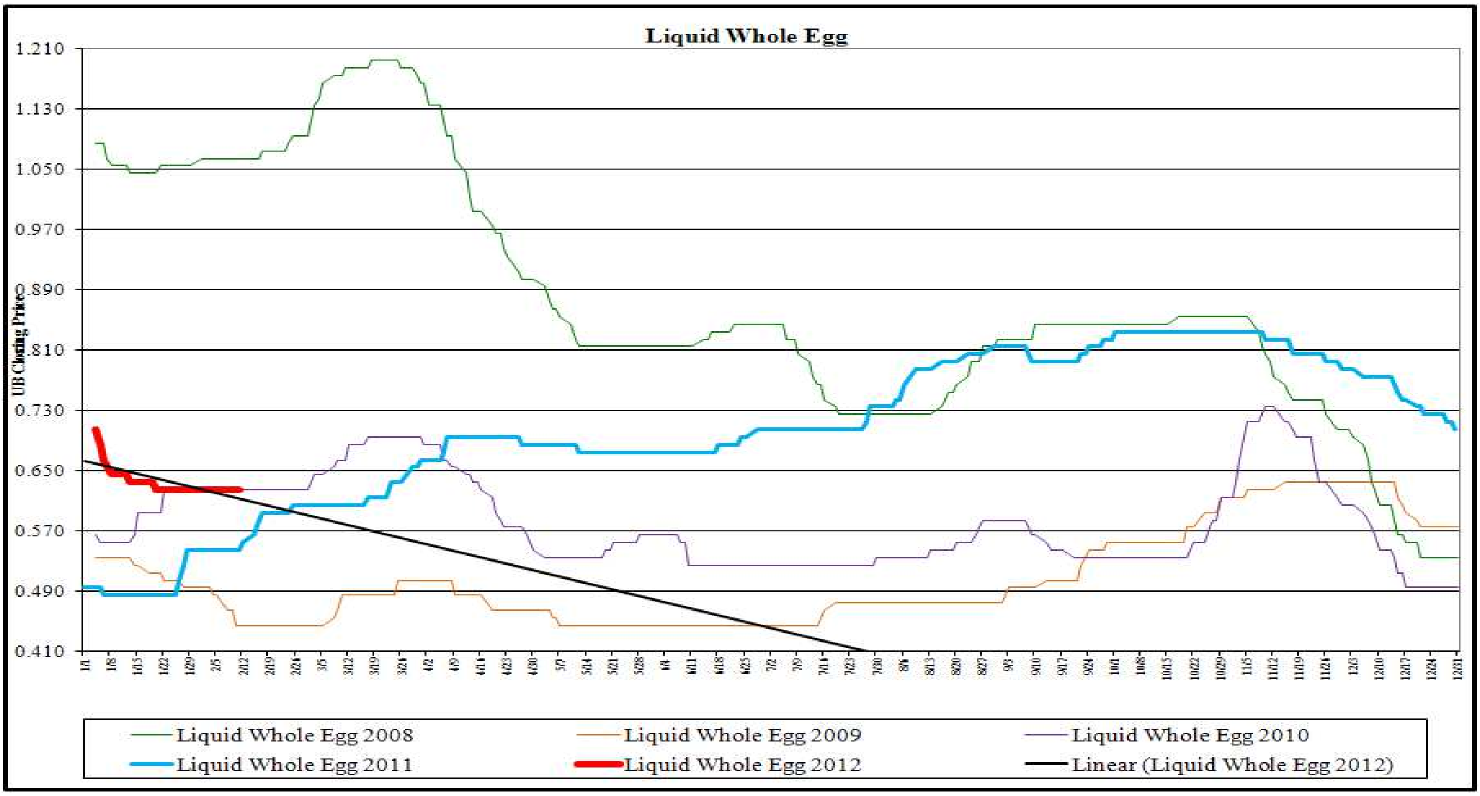




Frozen Sugared Yolks closed "no change" for the week (compared to last Friday's close).

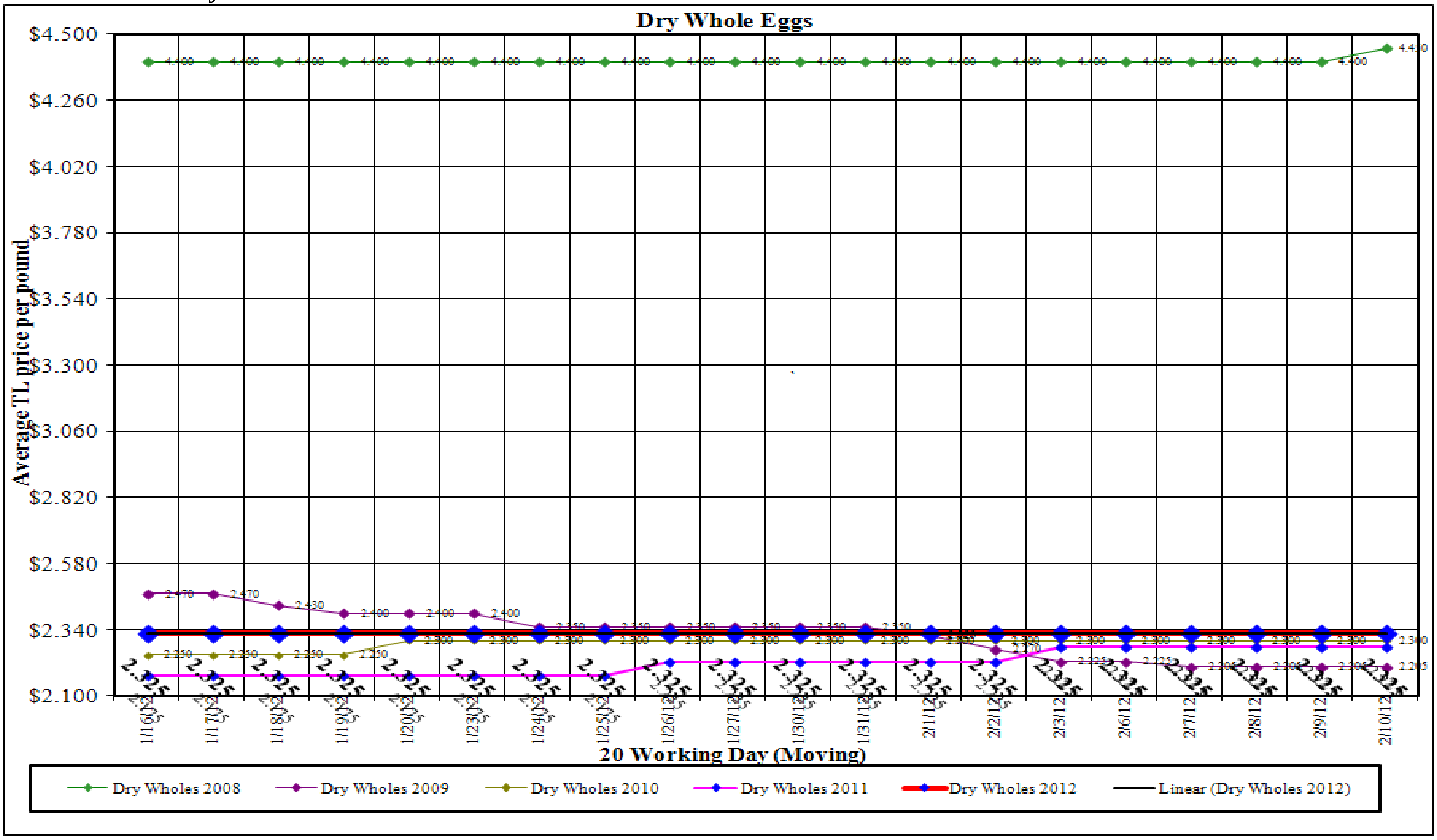
d. Liquid Wholes

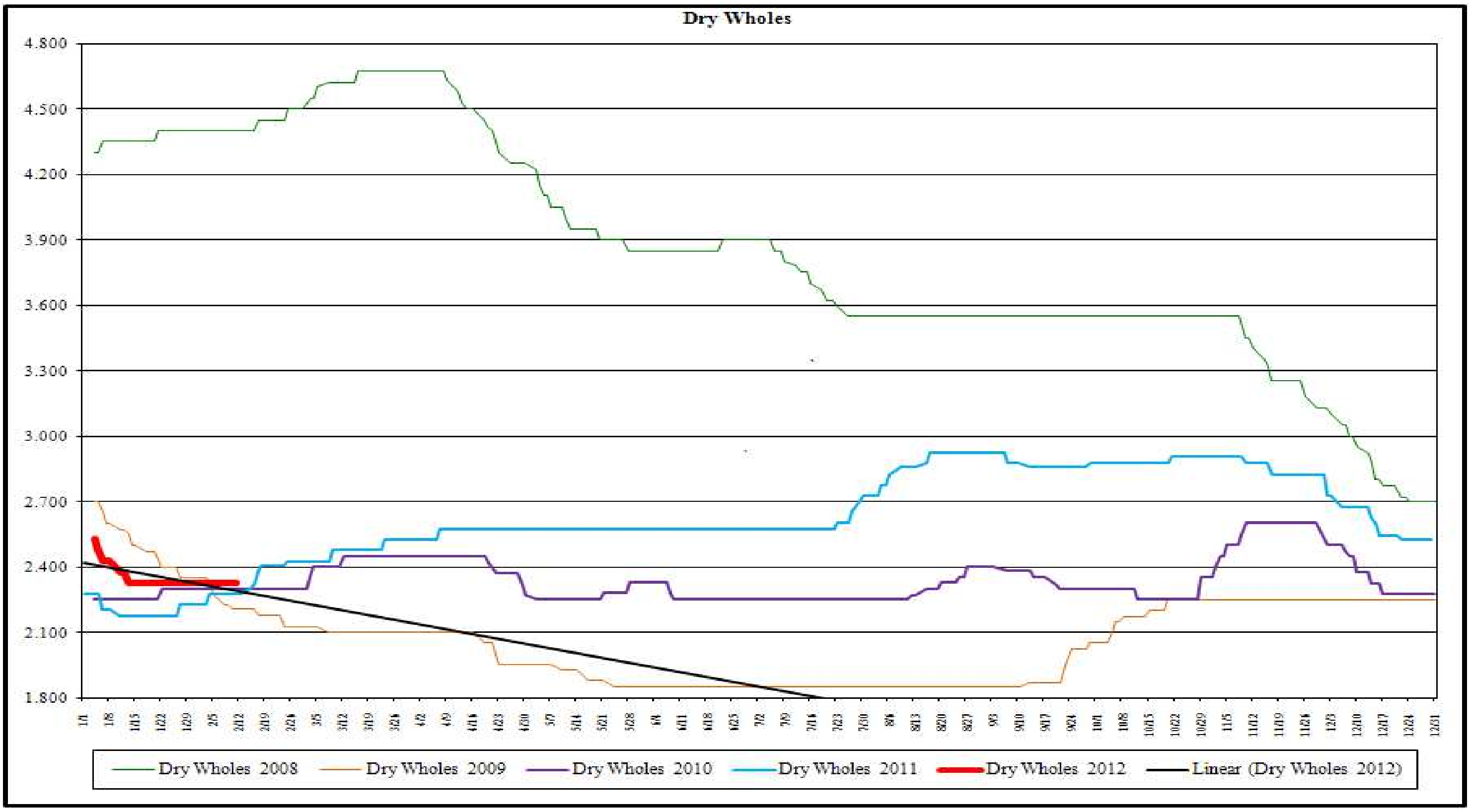




Liquid whole eggs closed "no change" for the week (compared to last Friday's close).

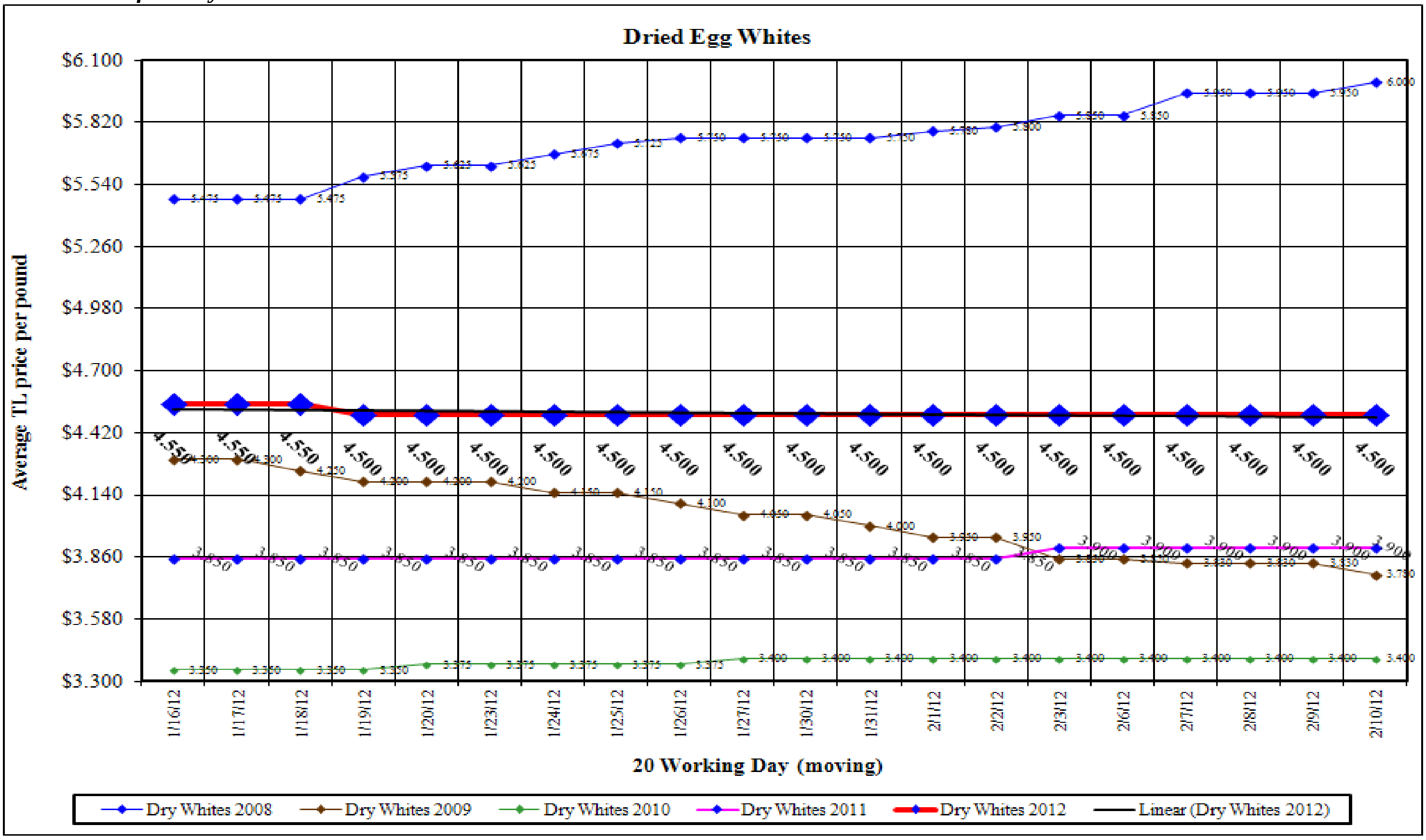
e. Dry Wholes

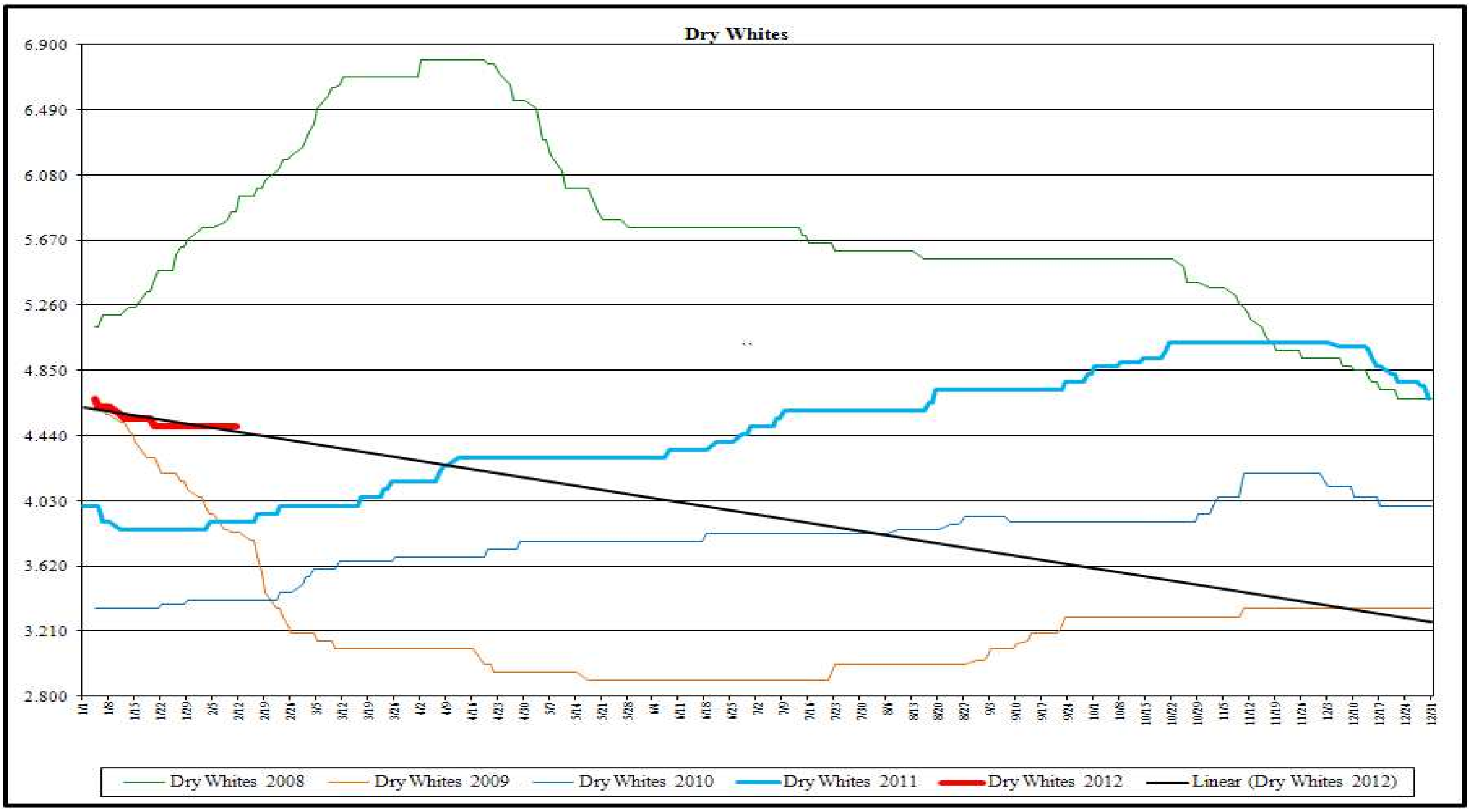




Dried Whole Eggs closed "no change" for the week (compared to last Friday's close).

f. Dry Whites





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

Corn

On Thursday, U.S.D.A. lowered the 2011-2012 U.S. corn carry over by 45 million bushels to 801 million. Such was 10 million above trade guesses and compared with 1.128 billion a year ago. Corn imports were raised by 5 million bushels to 20 million. Corn exports were raised by 50 million to 1.700 billion versus 1.835 billion last year. Ethanol use was unchanged at 5.0 billion versus 5.021 billion last year. The average farm price was unchanged at $6.20 per bushel versus $5.18 last year.

The 2011-2012 world corn carry over was lowered to 125.4 million tons from 128.1 million in January but topped average guesses for 124.9 million. Argentine corn production was lowered to 22 million tons from 26 million, Argentine soybeans to 48 million from 50.5 and Brazilian soybeans to 72 million from 74 million. Brazilian corn was unchanged at 61 million.

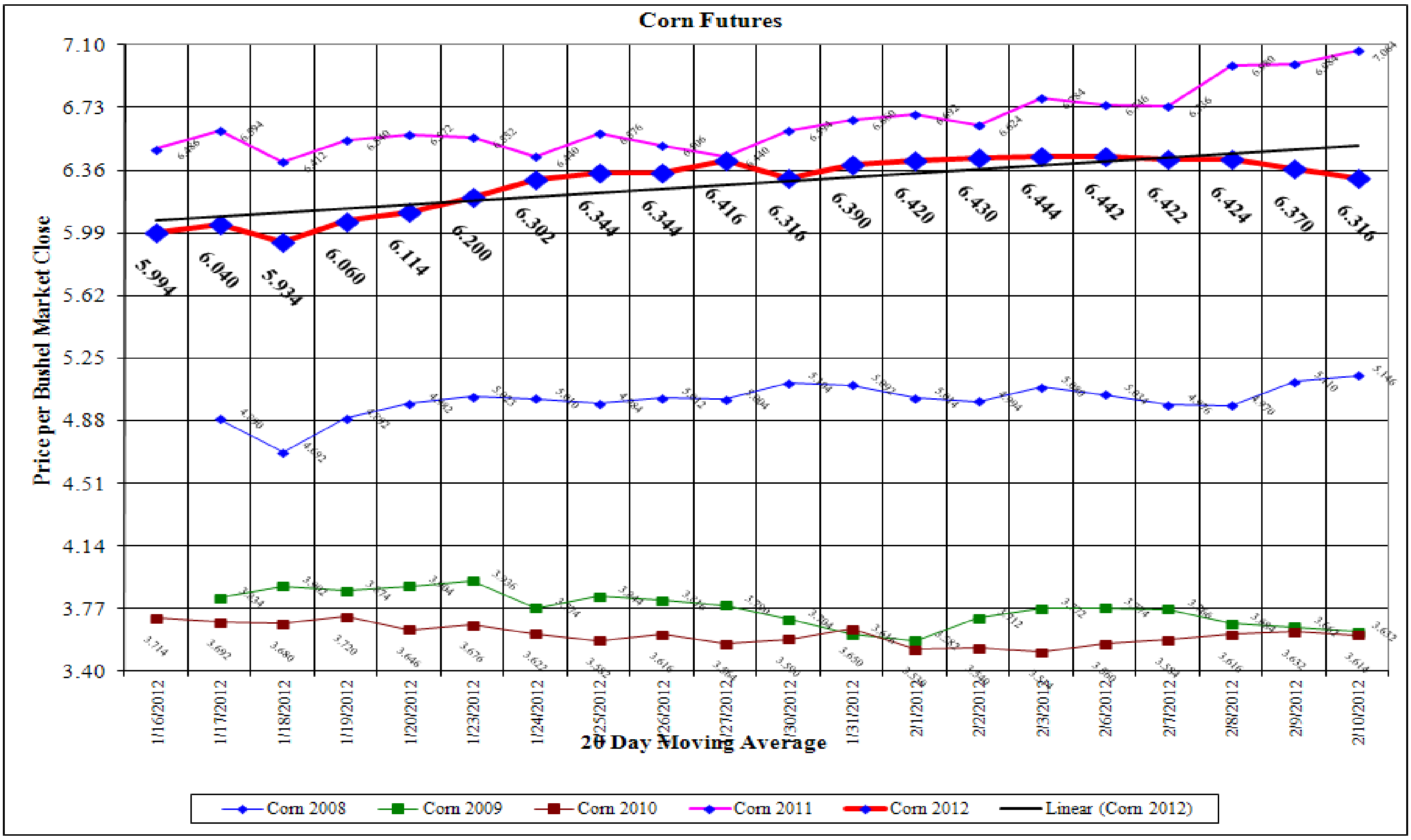
Weekly U.S.D.A. export sales were a disappointing yesterday but the pace for this marketing year is very good. Cumulative export shipments since September 1 are now less than 2 million behind year ago at 710.6 million bushels. U.S.D.A. is still projecting they will be 185 million bushels smaller for the year, which ends August 31.

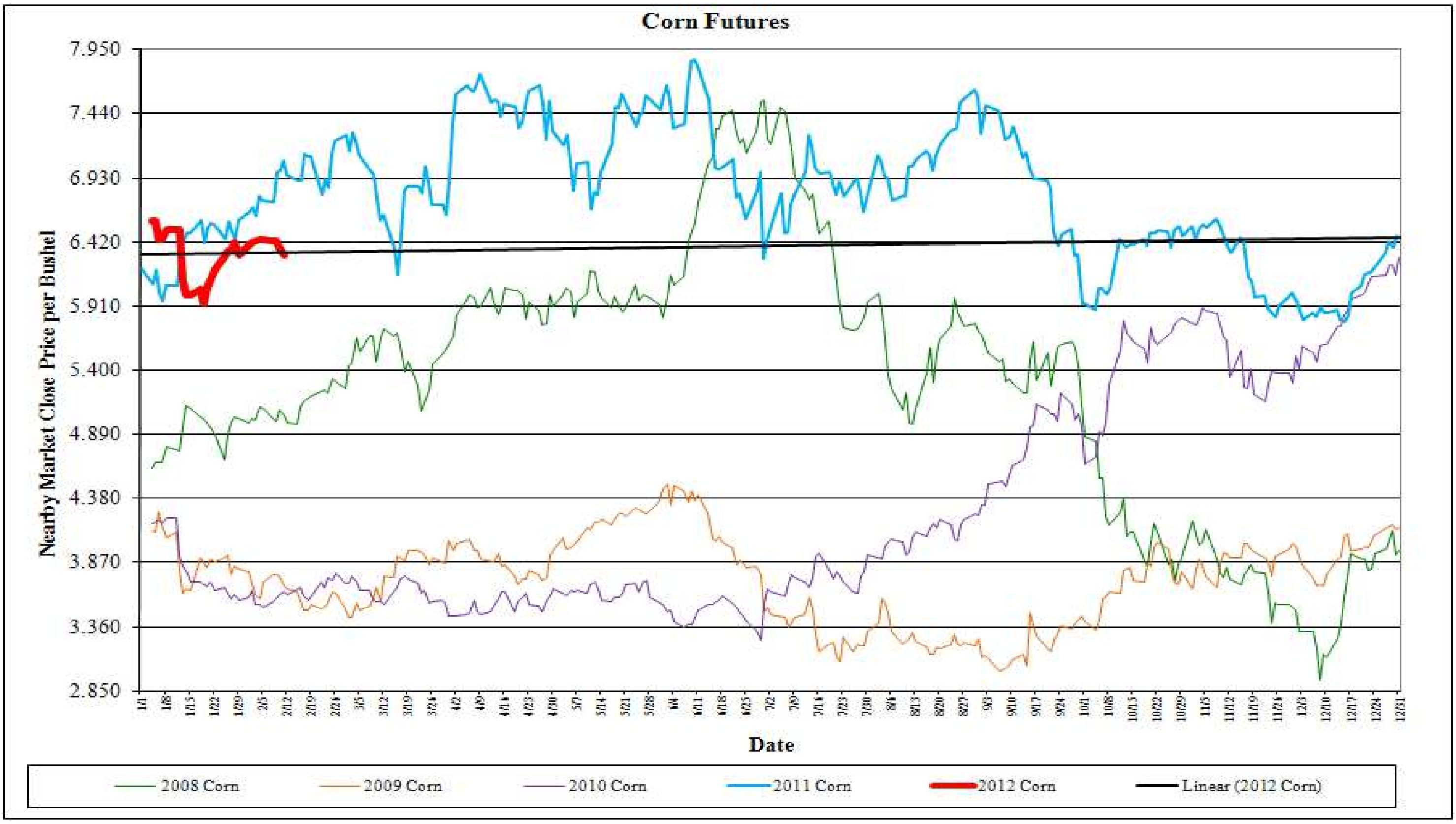
Cash basis levels were steady with some lower bids at a NE processor and IL river terminal. Gulf bids are a penny lower for nearby and unchanged for April forward.

ADM is reported to be closing their 30 million gallon Walhalla, ND ethanol plant in April.

Ethanol production during November was 1190.1 M gallons, up 2% from a year ago. This implies corn use of 435.9 M bushels. The annual run rate for corn use over the past 3 months (September-November) was 5.11 B bushels (equal to 13.96 B gallons of ethanol). Corn used to produce ethanol during September-August 2010/2011 was 5.021 B bushels—a gain of 10.1% from a year ago. Corn used to produce ethanol during September-August 2011/2012 is forecast to reach 4.92 B bushels, a decline of 2.1% from a year ago. That is equal to 13.54 B gallons of ethanol production. Ethanol production during CY2011 was 13.9 B gallons (versus 13.23 B gallons in 2010, up 5%). The 13.9 B gallons of ethanol produced in 2011 would compare to the Federally mandated total usage of 12.6 B gallons of conventional ethanol. The mandate for 2012 is 13.2 B gallons. Margins have moved to $0.22/gal which should slow production going forward. DDG production is at 3.7 M tons in November, with 16% of that being exported (0.593 M tons). 21% is the approximate average for 2009-2010.

Corn futures closed down $0.128/bushel for the week (versus last Friday's close).

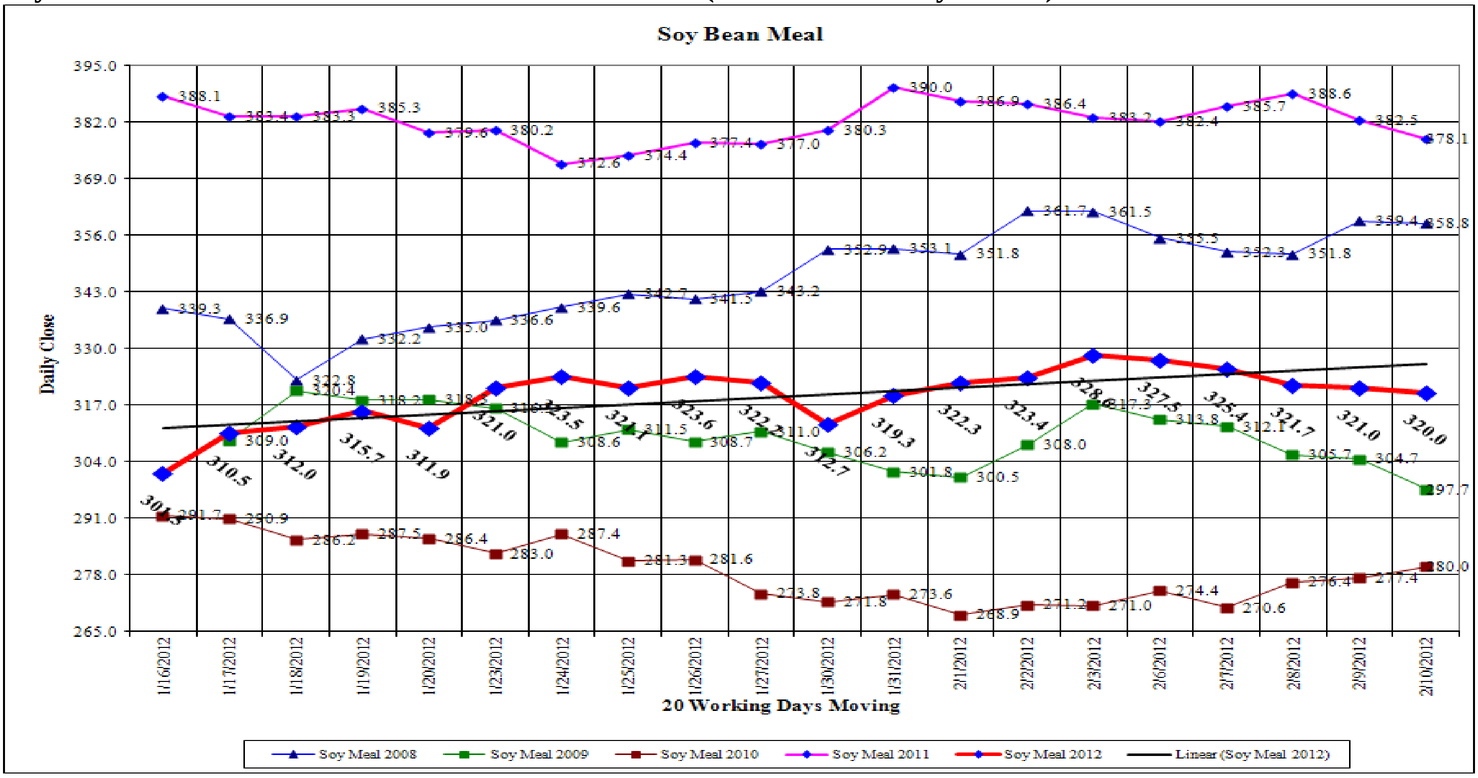

Corn Futures
Price per Bushel Market Close
20 Day Moving Average
Corn 2008
Corn 2009
Corn 2010
Corn 2011
Corn 2012
Linear (Corn 2012)

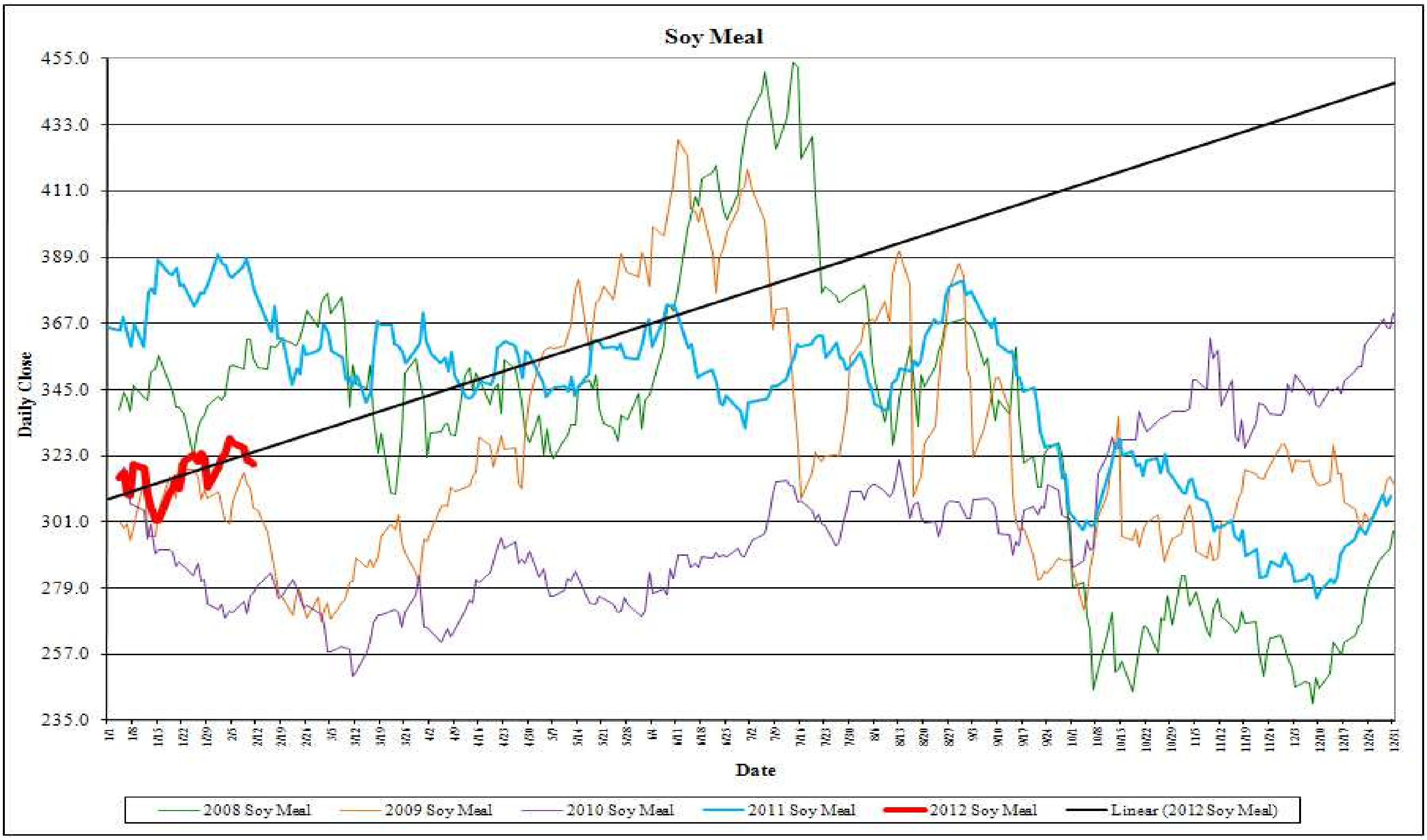

Corn Futures
Nearby Market Close Price per Bushel
Date
2008 Corn
2009 Corn
2010 Corn
2011 Corn
2012 Corn
Linear (2012 Corn)

Soy Meal

March meal is expected to trade in a $310–345 range through February.

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



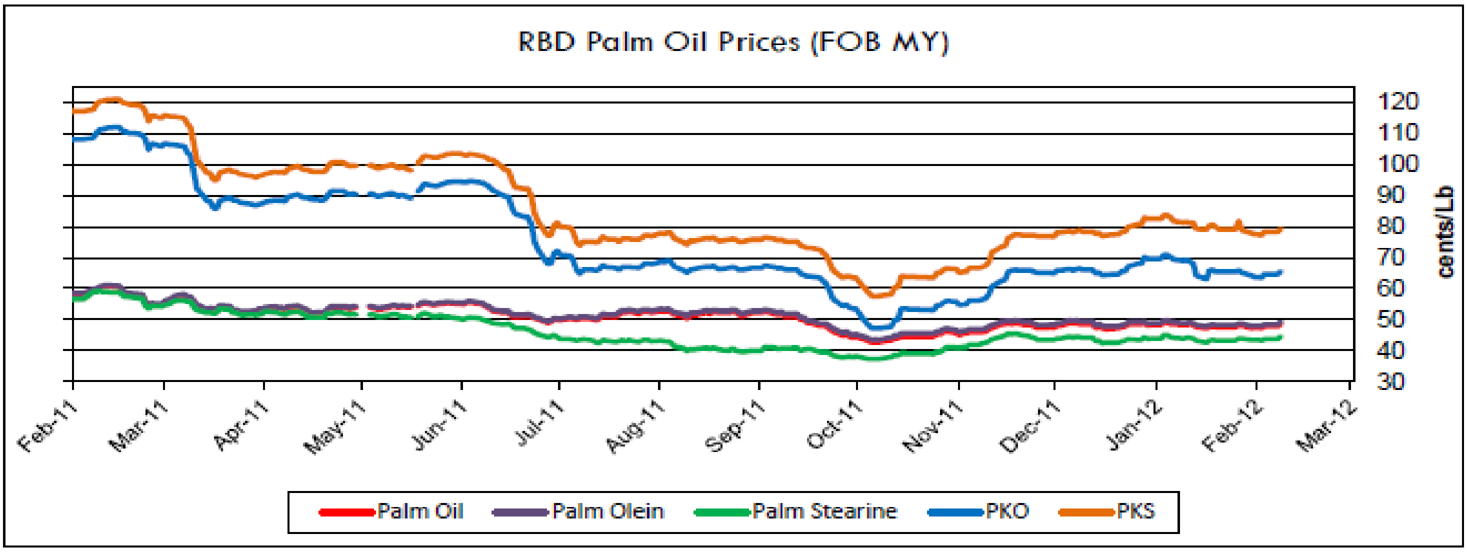


Palm Oil

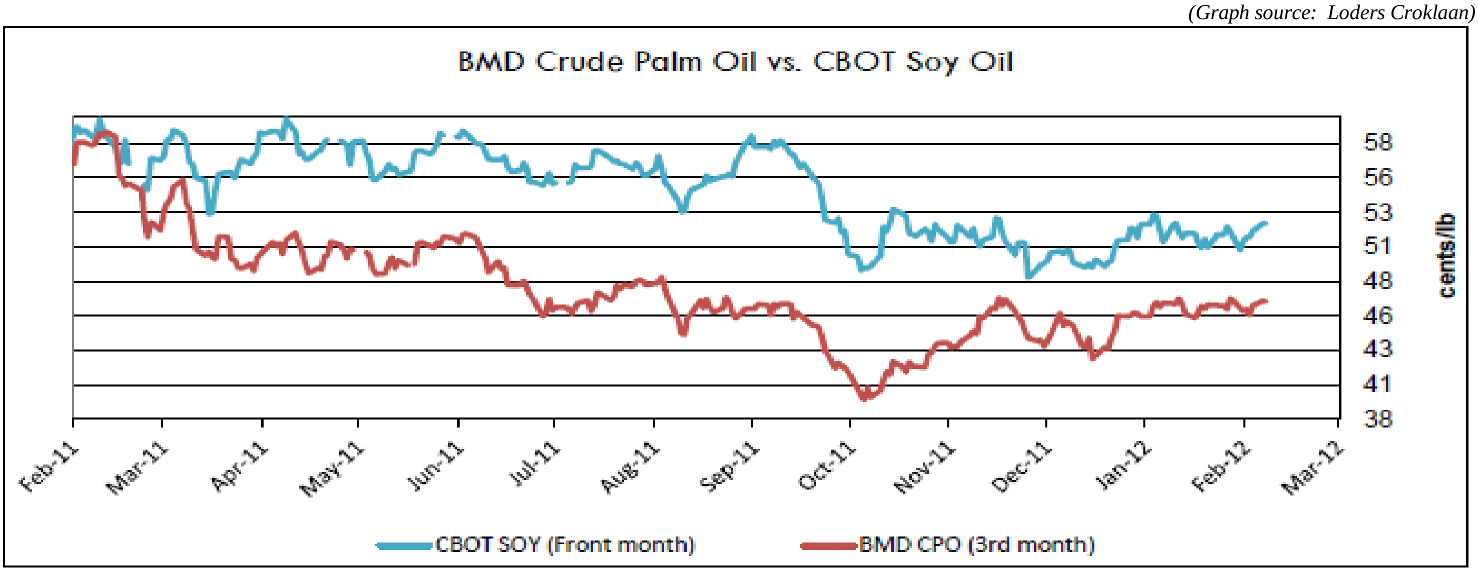
Malaysian crude palm oil jumped to a near three-week high as the market reopened after a two-day break, tracking broader markets, such as soy oil. **Oil World** estimates that China is likely to step up palm oil purchases in the coming months to meet rising demand for edible oil in its growing economy, although soy oil imports will remain at last season's levels. China's October 2011/September 2012 palm oil imports are likely to rise by 0.75 mm tons on the year to 6.7 mm tons. Imports of soy oil will probably not change much and stay close to last season's low of 1.32 mm tons due to insufficient world supplies. **Oil World** forecasts China's 2011/2012 soy oil imports will be only marginally higher on the year at 1.35 mm tons.

Prices eased slightly in January, mostly on weak demand. In the U.S., comfortable stock levels of PKO and coconut have kept big buyers out of the market, as they look for prices to bottom out. Meanwhile, production of PKO is in seasonal slowdown mode, and stocks at origin (Malaysia/Indonesia) are drawing down as predicted. Similarly, coconut oil remains tight at origin, as copra production in the Philippines continues to struggle.

From a technical perspective, prices seem to have reached a significant support level. Specifically, prices haven't gone below current levels since early November, when markets were just recovering from the macro-driven lows in October. In other words, demand would need to falter completely for prices to go much further below where they are currently. It is likely that prices will rebound in the next few weeks. Buyers should consider adding coverage for 2012 at (or near) these levels.



(Graph source: Loders Croklaan)



(Graph source: Loders Croklaan)

Energy Markets

One does not need to be a meteorologist to know that this winter season for most of the United States has almost been non-existent. While residents are cheering this unexpected seasonal treat, natural gas and heating oil traders are in the doldrums as prices continue to spiral downward thus creating a unique opportunity for buyers.

Natural gas prices continued their downward trend over the past month with the NYMEX 12 month strip coming in at approximately $3.08 per MMBtu with prompt month pricing falling below the $3 level. Continued soft demand for natural gas caused by warmer than normal temperatures throughout the country coupled with a struggling economic recovery have created a situation where in natural gas producer Chesapeake recently announced a curtailment in production. Should the weather continue on this warmer than normal trend throughout the winter season, storage could become a real concern this coming summer.

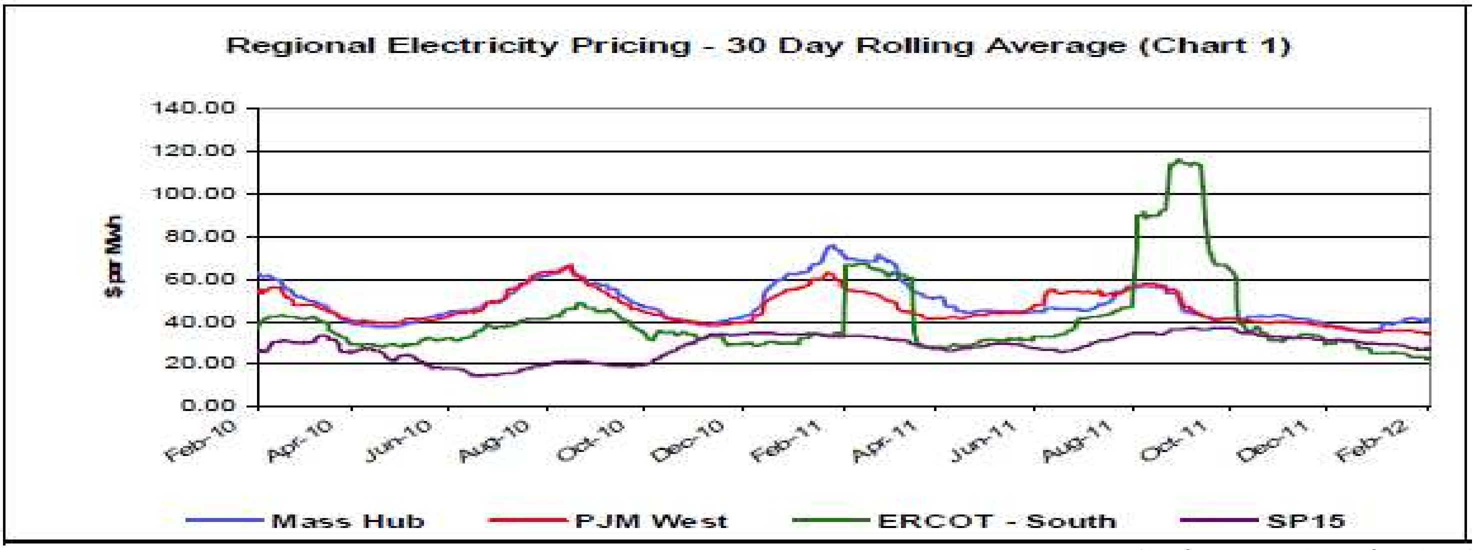
WTI oil prices fell by over 6% over the past month. While global tensions with Iran still remain acute, the rhetoric has settled down a bit with the Iranians backing off talk about closing the Strait of Hormuz and allowing nuclear inspectors in the country. Of course, the specter of recessions in the Euro Zone remains a real concern which has led to downward pressure on oil pricing. It is not without note that an interesting dynamic has developed with regard to oil pricing wherein geo-political tensions are causing upward pressure on pricing and economic uncertainty in Europe and elsewhere has attributed to downward movement.

For the most part, electricity pricing throughout the country fell over the past month shadowing the downward trend in natural gas. The New England region was the only notable exception having a pricing increase of nearly 11 percent. The increase was due mainly to certain generation being displaced as well as congestion issues on the region's transmission grid.

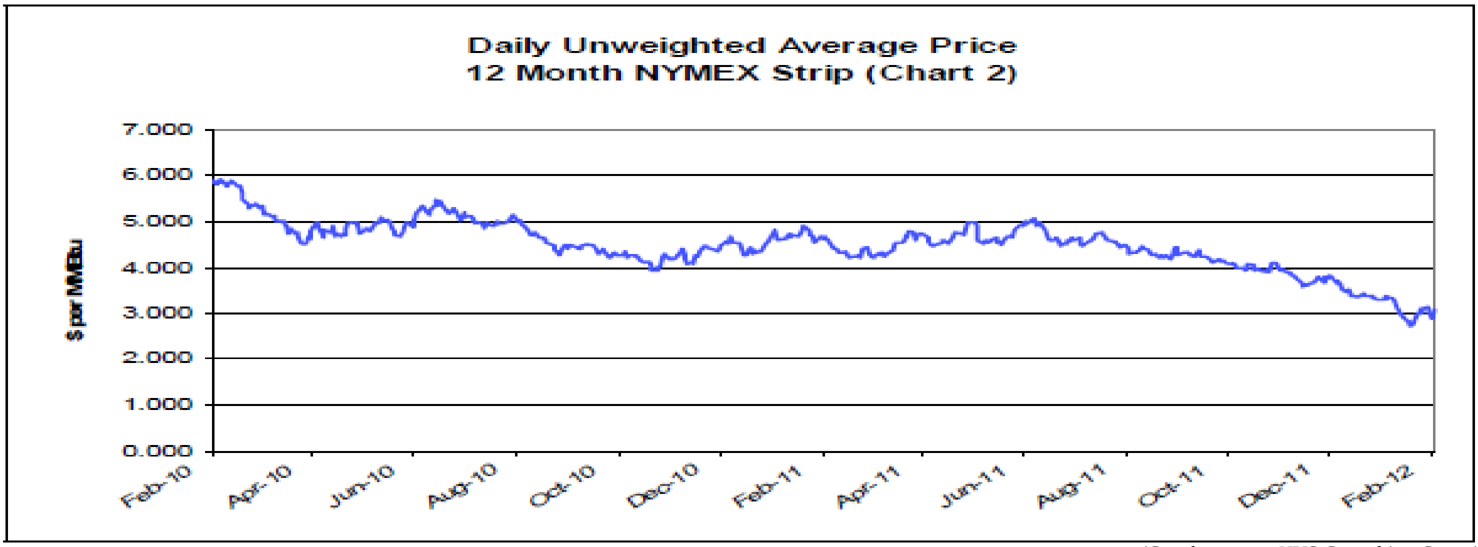
Key Pricing Indicators – Commodity Prices:

	3 January 2012	2 February 2012	% Change	
Electricity - East (MA Hub)	$36.36 per MWh	$40.23 per MWh	10.6%	↑
Electricity - Central (PJM West)	$35.27 per MWh	$34.15 per MWh	-3.2%	↓
Electricity - South (ERCOT)	$24.80 per MWh	$22.41 per MWh	-9.6%	↓
Electricity - West (SP15)	$29.31 per MWh	$26.48 per MWh	-9.6%	↓
NYMEX 12 Month Strip	$3.306 per MMBtu	$3.078 per MMBtu	-6.9%	↓
WTI (Prompt Month)	$102.96 per bbl	$96.36 per bbl	-6.4%	↓
NYMEX (Prompt Month)	$2.993 per MMBtu	$2.554 per MMBtu	-14.7%	↓

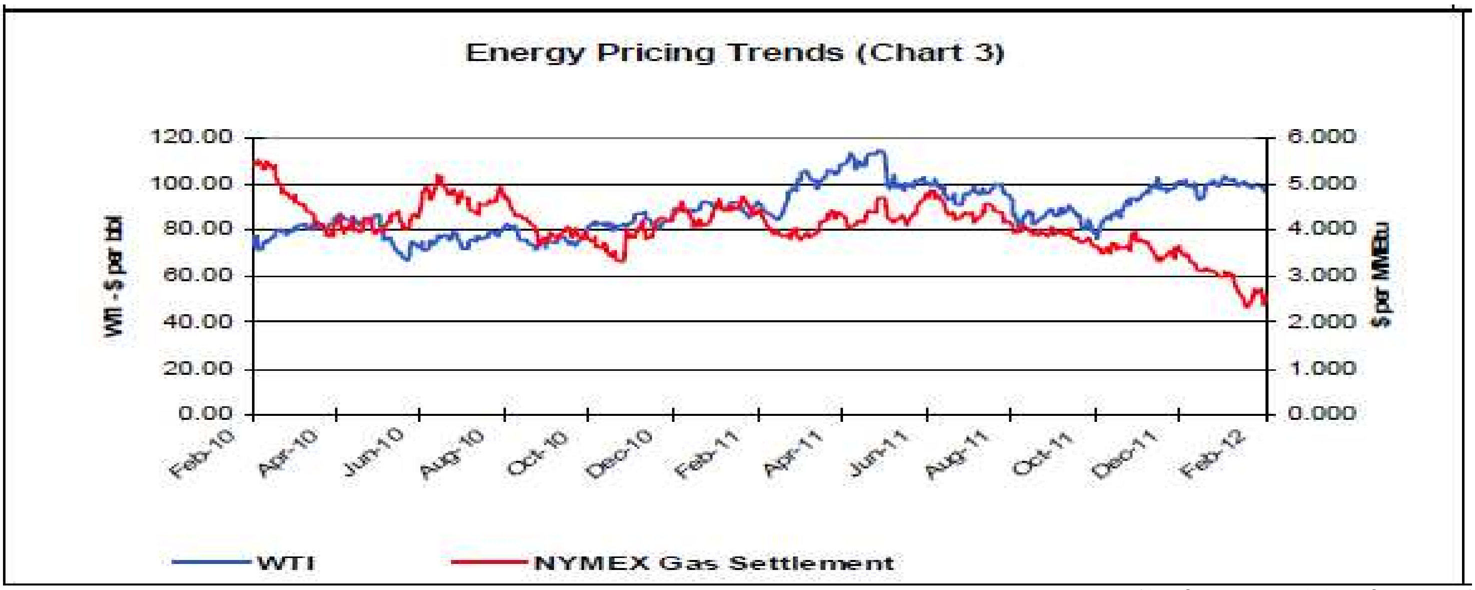
(Chart source: NUS Consulting Group)



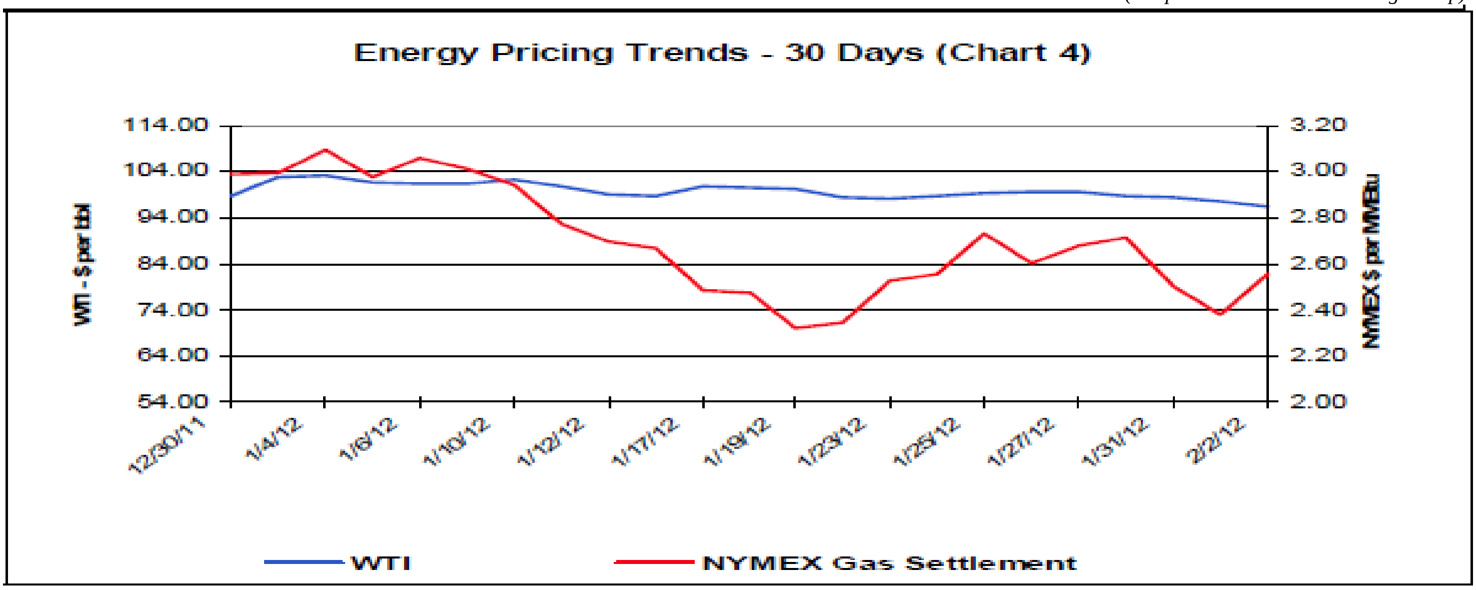
(Graph source: NUS Consulting Group)



(Graph source: NUS Consulting Group)



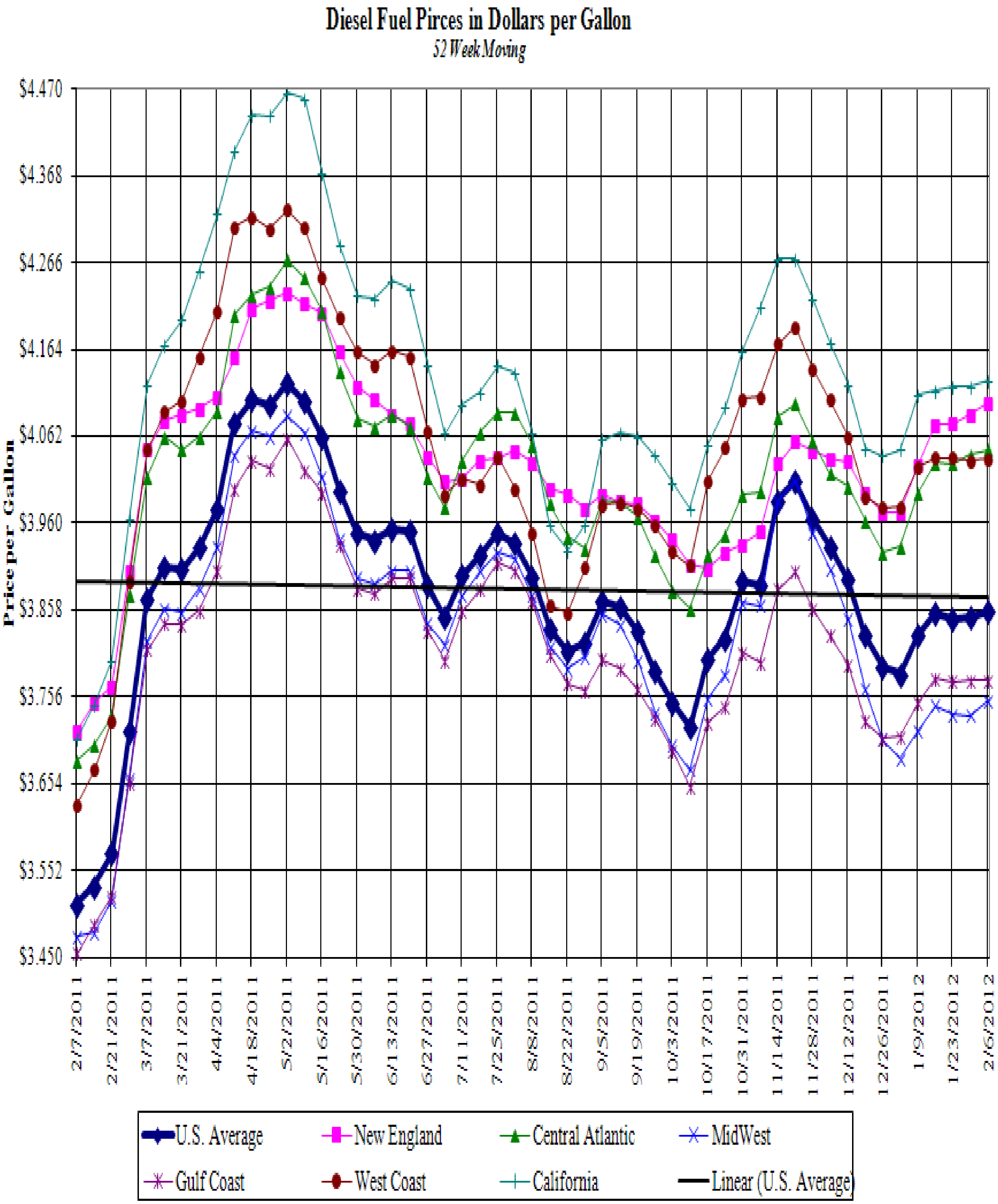
(Graph source: NUS Consulting Group)



(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
2/7/2011	$3.5130	$3.5650	$3.7170	$3.6820	$3.5010	$3.4750	$3.4550	$3.4590	$3.6300	$3.7070
2/14/2011	$3.5340	$3.5870	$3.7490	$3.7000	$3.5240	$3.4790	$3.4890	$3.5110	$3.6710	$3.7470
2/21/2011	$3.5730	$3.6200	$3.7690	$3.7340	$3.5570	$3.5170	$3.5220	$3.5680	$3.7290	$3.7990
2/28/2011	$3.7160	$3.7640	$3.9030	$3.8750	$3.7030	$3.6610	$3.6560	$3.6980	$3.8920	$3.9640
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


Diesel Fuel Pirces in Dollars per Gallon
52 Week Moving
Price per Gallon
$4.470
$4.368
$4.266
$4.164
$4.062
$3.960
$3.858
$3.756
$3.654
$3.552
$3.450
2/7/2011
2/21/2011
3/7/2011
3/21/2011
4/4/2011
4/18/2011
5/2/2011
5/16/2011
5/30/2011
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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
U.S. Average
New England
Central Atlantic
MidWest
Gulf Coast
West Coast
California
Linear (U.S. Average)

Impact of Middle East unrest on Energy markets:
Over the course of the past week we have witnessed a significant deterioration in the stability of the Middle East. Specifically, in Egypt the public has once again taken to the streets - this time not to protest against a corrupt dictator but against a slow moving inept government run by the military. In Syria the Assad government is engaged in a full on battle against anti-government protestors; while the UN Security Council appears to be mired in endless debates due to Russian and Chinese objections to any reference to regime change in a resolution designed to halt the bloodshed. Finally, on the Iranian front, the rhetoric coming from Iran's leadership grew more heated as sanctions have started to bite and Israel upped the ante by discussing the possibility of a unilateral strike against Iran's uranium enrichment sites. It is indisputable that geopolitical risk in the region is increasing and with it the possibility of a disruption in the oil supply from the Persian Gulf.

New sanctions enacted by the United States at the start of the year targeting governments and businesses transacting with the Iranian central bank and its affiliates were intended to halt the export of oil from Iran, the government's main source of revenue, and pressure Iran into negotiations to halt its nuclear program. U.S. sanctions were followed by the EU which recently banned the importation of Iranian crude. At the request and insistence of Greece and with the firm support of Spain and Italy, all of whom are heavy importers of Iranian crude, the EU ban included a transition period which permitted existing contracts with Iran to be honored until 1 July. The EU ban also included a "review" in April to assess its impact on EU member states and the world oil market.

Iran did not sit idly by as sanctions were being imposed upon it by the West. Iran responded to the new U.S. sanctions by threatening to close the Strait of Hormuz and held military exercises to show its resolve. When the UK supported the new U.S. sanctions, it's embassy in Tehran was attacked by protestors. Finally, after the EU announced its own ban on Iranian oil imports, Iran threatened to pre-emptively cut exports to the EU in advance of the 1 July deadline.

The Iranian economy is starting to feel pressure from the sanctions. The Iranian currency lost a significant amount of value against the U.S. dollar making consumer goods much more expensive. Also, there have been recent reports that Iran's trading partners have been reducing or stopping shipments into Iran due to problems with payment.

Despite the pressure being applied, Iran remains defiant. In fact, in some ways, the sanctions appear to have galvanized the government, religious leaders and people against the outside world. Iran continues to claim that, like any other nation, it has the right to develop nuclear technology for civilian purposes. Iran recently met with the IAEA in Tehran to discuss the current situation; the results were, as expected, constructive but inconclusive. Further discussions are scheduled for the end of the month.

It is clear that the new sanctions are beginning to bite and over time stand a good chance of success. The problem is – success will take time. There can be little doubt that the Iranians, in view of the current circumstances, have in all probability accelerated their nuclear program. After the enactment of the new sanctions the Iranians announced that they had begun enriching uranium at their heavily fortified underground Fordo facility. As time passes, Iranian nuclear capabilities will continue to grow. However, at present there have not been any reports with hard evidence that Iran has actually begun the process of constructing a nuclear weapon. Nonetheless, the fear is that Iran will develop and possess all of the necessary technology and enriched uranium to easily make this last jump should they decide to do so. Iran with the wherewithal to construct a nuclear weapon in the future would destabilize the region. From a policy standpoint, the U.S. position on Iran was made clear by President Obama in his recent State of the Union address where he said "America is determined to prevent Iran from getting a nuclear weapon, and I will take no options off the table to achieve that goal. But a peaceful resolution of this issue is still possible, and far better, and if Iran changes course and meets its obligations, it can rejoin the community of nations." In short, President Obama wants to wait and give the new sanctions time to work.

It is clear Israel views the situation somewhat differently than President Obama. Israel views Iran's nuclear program as an existential threat. Israel's concern is that Iran appears to be moving elements of its nuclear program into fortified bunkers and underground facilities that will be difficult, if not impossible to destroy, should Iran not be persuaded from its current course. Recently, Ehud Barak, the Israeli defense minister, said that time was not simply running out but “urgently running out.” Moreover, Mr. Barak stated that dealing with Iran’s nuclear program later “may be too late.” Recently, senior U.S. and EU officials have flown to Israel counseling patience and warning that a preemptive strike on Iran’s uranium enrichment sites could backfire and strengthen Iran’s resolve to develop a nuclear weapon. However, Israel’s current state of thinking could be summed up in a statement made by a fellow at the Institute for National Security Studies in Tel Aviv – “everybody agrees on where Iran is in terms of its nuclear program…the problem is one of threat perception. The Americans are 10,000 miles away from Iran. This does not threaten them as it does Israel.” In essence, there are two stopwatches marking time with regard to the Iranian nuclear program – a U.S. and an Israeli one. It is clear from recent comments made by Israel, that its stopwatch is running faster than the U.S. one.

Over the last week, the rhetoric has been heating up between the U.S., EU, Israel and Iran. On Friday, Iran’s supreme leader Ayatollah Ali Khamenei lashed out at the U.S. and Israel. In a defiant speech, the supreme leader admitted that sanctions were painful and crippling but also vowed to retaliate, if necessary, against the new sanctions and threats of war over Iran’s nuclear program. In addition, Iran’s supreme leader, in an unusually blunt statement said that that Iran would support groups opposing Israel.

Concern seems to be growing that Israel may take unilateral action to degrade Iran’s nuclear program. Moreover, there is a fear that Israel may take such actions without first informing the United States. From a purely practical standpoint, the U.S. withdrawal from Iraq provides Israel with the ability to fly over Iraq without having to coordinate a strike with the U.S. military. The situation with Iran and the wider Middle East is growing more complex and as a result will most likely continue to unsettle energy markets for the foreseeable future. Markets will suffer bouts of extreme volatility in the coming weeks being largely driven by news headlines.

Market prices currently reflect a significant risk premium for the potential of a supply disruption from a geopolitical event. However, the amount of risk premium currently included does not fully account for an actual event/supply disruption. If Israel were to strike Iran in an attempt to slow its nuclear program, energy prices would most likely spike in excess of $150 per barrel. The duration of such a price spike will depend upon the type and extent of any response by Iran and its effect on the flow of oil out of the Persian Gulf.

Determining the likelihood of an Israeli strike is extremely difficult. On the one hand, Israel understands that a unilateral strike would distress its allies and also risk further galvanizing the Iranians in their cause. On the other, Israel views Iran’s possession of the technology and enriched uranium necessary to take the next step (i.e., construct a nuclear weapon) as an existential threat that no one nation truly understands except for Israel.

Fruits/Nut Markets

***Effects of unseasonably warm winter*—US (SC): Farmers worried by early blossom**

The unseasonably warm winter weather in South Carolina has some growers very worried. The problem is that their peach trees have already begun to blossom and any change in the weather now - especially a return to ordinary freezing February conditions, could destroy the flowers and subsequent harvest. A similar event occurred in 2007 that devastated the crop.

***Peaches*—US: Georgia peach farmers look forward to cold spell**

Georgia's peach growers are confident of a good harvest this year, despite the warm weather. The majority of the varieties grown in the state need a minimum of 750 chill hours during the dormancy period, in order to yield a good crop. However, there is very cold weather forecast for the next few days which should help remedy the situation as it currently stands.

Almonds—

January shipping numbers for almonds were released Thursday at 153.6 million lbs. versus 119.8 million lbs. last January. Year to date shipments are now pacing at roughly 11% ahead of last year. This adds to yet another strong shipping report as has been the case over the past 5 months. The market will need some time to react but one could assume we will see some additional strength in the market.