Weekly Commodity Markets Review

From: Joe Schmidt Date: January 20, 2012

Early harvest in Brazil has been slow, boats are waiting to load, and pipe-lines are looking to be filled. The delay in harvest and vessel line-ups is pushing business back to the U.S. Several export sales announcements were released yesterday indicating that we may have reached levels that were attractive enough for demand to pick up. Export sales reports, released this morning, were at the high end for all key commodities.

Export sales were better than expected. The following summary is based on reports from exporters for the period January 6-12, 2012:

> ***Wheat:*** Net sales of 587,200 MT for the 2011/2012 marketing year were up 61% from the previous week and 81% percent from the prior 4-week average. Exports of 357,900 MT were up 82% from the previous week and unchanged from the prior 4-week average.
> ***Soybeans:*** Net sales of 991,100 MT for the 2011/2012 marketing year were up noticeably (at 36.4 million bushels) from the previous week and 95% from the prior 4-week average, mostly for China. The season's total at 939 million trails last year by 329 million.
> ***Soybean Oil:*** Net sales of 18,700 MT were reported for delivery in 2011/2012 marketing year. Exports of 9,800 MT were down 3% from the previous week, but up 41% from the prior 4-week average.
> ***Soybean Cake and Meal:*** Net sales of 181,200 MT for the 2011/2012 marketing year were up noticeably from the previous week and 88% from the prior 4-week average. Exports of 279,900 MT--a marketing-year high--were up 89% from the previous week and 82% from the prior 4-week average.
> ***Corn:*** The season's total net sales at 1.014 billion trails last year by 75 million. Exports of 753,800 MT were up 1% from the previous week, but down 16% from the prior 4-week average.

Improving weather conditions in South America later this week into next week are leading the Ags lower. We have a possible rain event coming up this weekend, and there is more talk of the La Nina weather developments beginning to weaken. Losses, however, are being limited on higher crude oil and a lower U.S. dollar. The markets collapsed last week as traders rushed to the sidelines on forecasts over the long holiday which called for rains in the drought stricken areas of Argentina. When dry weather prevailed in Argentina, to no one's surprise, soybeans rallied sharply. And while rains were prevalent in parts of Brazil, the southern areas still are being impacted by dryness. This is now the major focus of the market-place. But also supportive for the soybean market is the U.S. soybean crush for December which was 145.420 million bushels, versus the average trade guess at 140.8 million bushels. Corn is also continuing to be damaged by the dryness that continues across Argentina and prices need to stay attractive enough to invite acreage this spring in the U.S. In the U.S. side of the market, more attention will start to be focused toward spring planting intentions. With more acres in pipeline don't expect the battle for acres as in past two years. The funds are net short 80,766 contracts wheat futures/options combined. This short will factor into higher wheat.

Argentina authorities have lowered their corn crop estimate to less than 22 million metric tons, substantially lower than the 26 mmt forecast by U.S.D.A. last Thursday, which was down only 3 million from its December estimate and above trade thinking they'd cut it to 24-25 million.

Mideast tensions continue over threats and counter-threats regarding Iran. The U.S. is seeking additional sanctions against that country to pressure the Iranians on their pursuit of nuclear weapons, while Iran keeps threatening to close the strategic Strait of Hormuz. The latter is currently seen as an "empty" threat, with even Iranian allies telling them to back off such threats. Nonetheless, global energy and commodity markets remain vulnerable to volatility since the Iranian government is notoriously unstable and bellicose.

As a note, remember that Chinese New Year is just around the corner and export markets tend to slow during this time.

Flour Markets:

The wheat markets are experiencing short covering before the weekend. U.S. wheat weekly export sales were 584,000 metric tons, above expectations. A cold snap in the HRW growing areas is not expected to cause in any winterkill issues for the crop. NOAA issued its monthly La Nina update---they are expecting La Nina to continue into the March-May time period which means more dry weather for HRW wheat growing areas. Wheat looks to be carving out a new trading range---March Kansas City wheat has found support at $6.60.

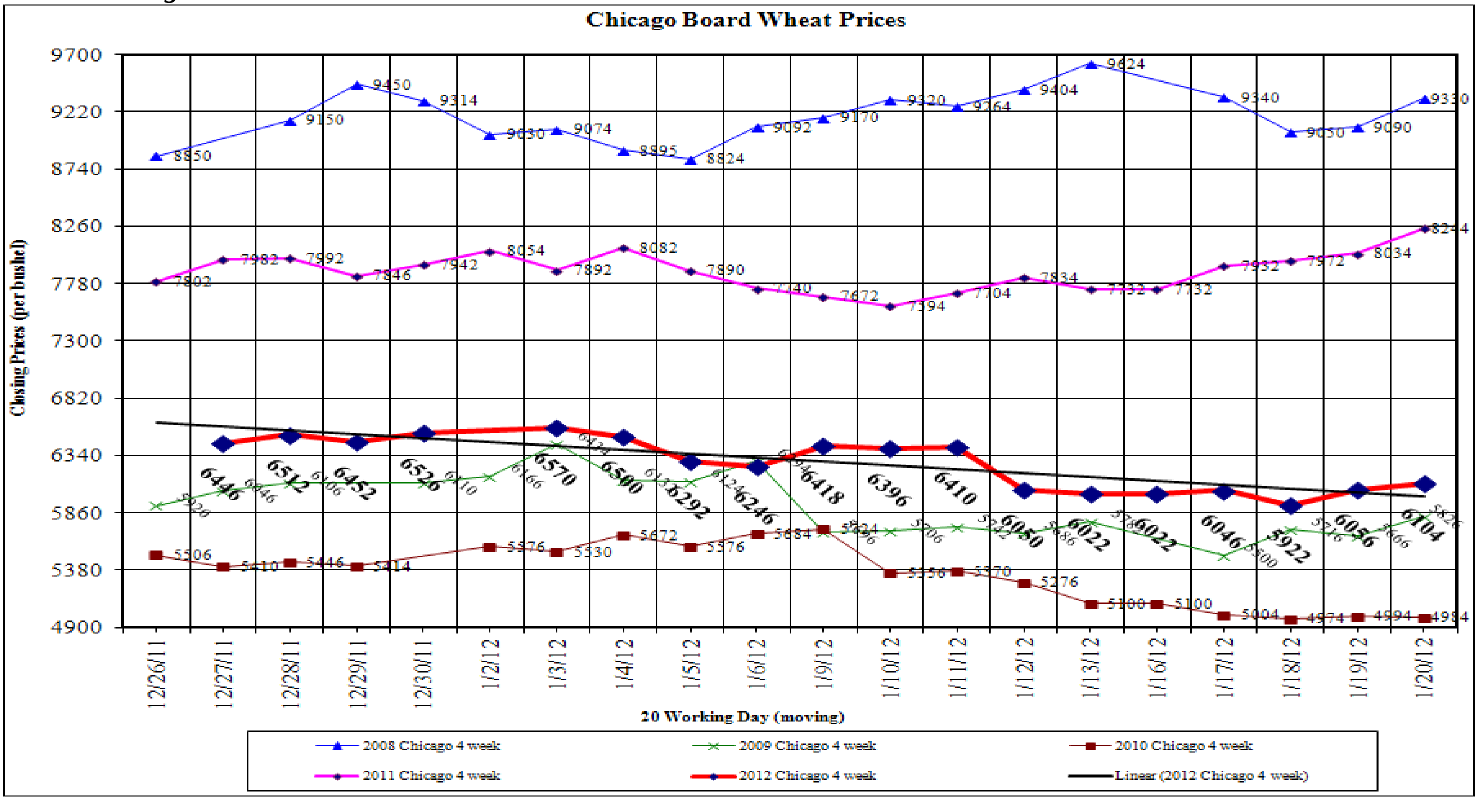
Wheat futures prices are choppy this week – up one day, down the next, and then up again. Basis levels are up this week with spring wheat leading the way. Millfeed values have dropped significantly over the past few weeks as lower corn futures prices and strong flour grind increased demand. Winter wheat conditions have improved with increase moisture. There is concern for cold injury to the winter wheat crop with sudden drops in temperatures. Greater snow cover is needed in the northern U.S. Plains and Canada. There is potential for winterkill.

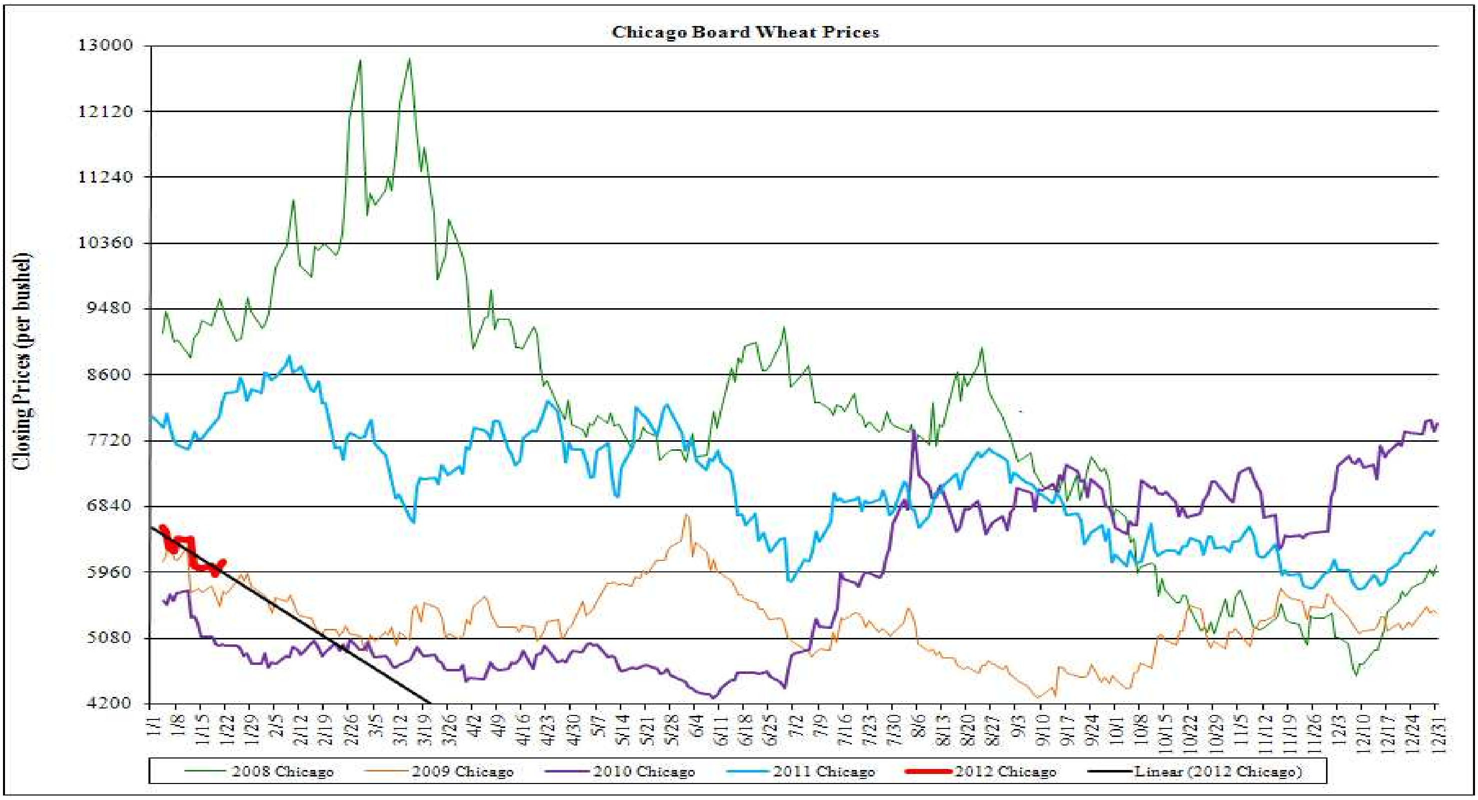
There has been a lot of wheat business this week as volume resumes between holiday celebrations in the various countries. The dollar was lower this week allowing foreign buyers to take advantage of last week's reduced wheat prices—global export developments are strong. The Euro has been losing value against the dollar encouraging export sales for wheat. Competition from the Black Sea Region in terms of available supply pitted against the European debt crisis could keep the Euro on the defensive and be supportive to exports. Export inspections in the U.S. were 13.4 million bushels. Inspections were about half of last year's 24.07 million bushels. Total inspections to date are running about 85 million bushels behind a year ago. High protein wheat is in short supply this year and has kept prices firm for HRS wheat.

Minneapolis wheat futures are somewhat supported by ideas that global supplies of high protein wheat (12.5%) will be short over the next few months after a story circulated Australia will produce only about 500,000 tons of Australian prime hard wheat this year, down from two million tons average. Minor threat of to the U.S. winter wheat crop is seen as temperatures plunge this week across the wheat belt and resulting in a concern due to a lack of snow covered areas in the northern and central Plains. Global export developments remain supportive.

<u>Futures forecast</u>: Support in Chicago March wheat is seen at $5.80 with resistance at $6.50-6.70. Basis the nearby rolling Chicago futures contract, expect the 2011-2012 crop-year average will end up around $6.50, with a low/high range of $5.20-8.20.

a. Chicago Board Wheat Prices

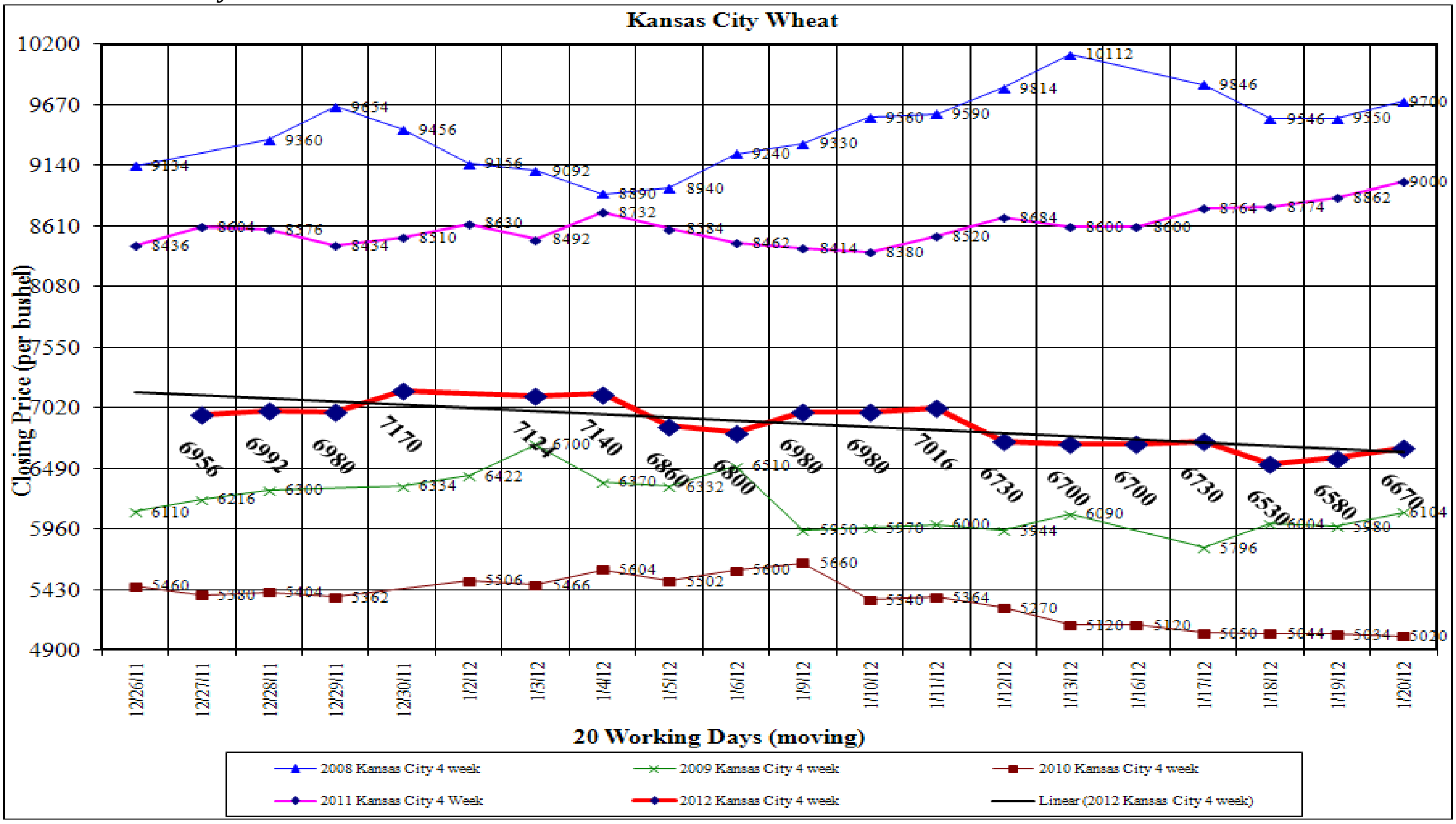


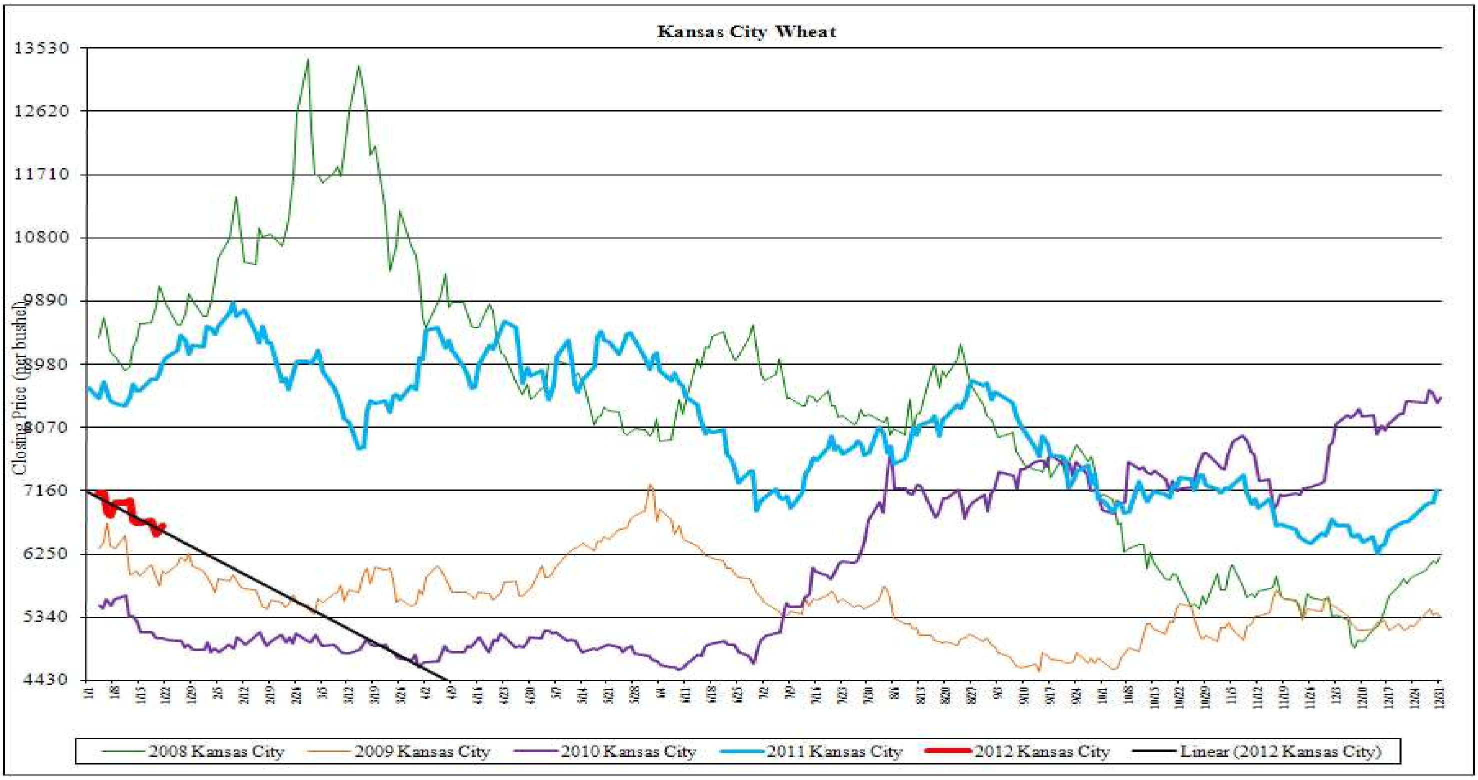


The Chicago Board chart above shows the price activity for the last 20 working days (one full period). Flour made from the wheat traded on this board includes **CAKE AND PASTRY** flours.

Cake and Pastry flour closed up $0.19/cwt from last Friday's close.

b. Kansas City Board Wheat Prices

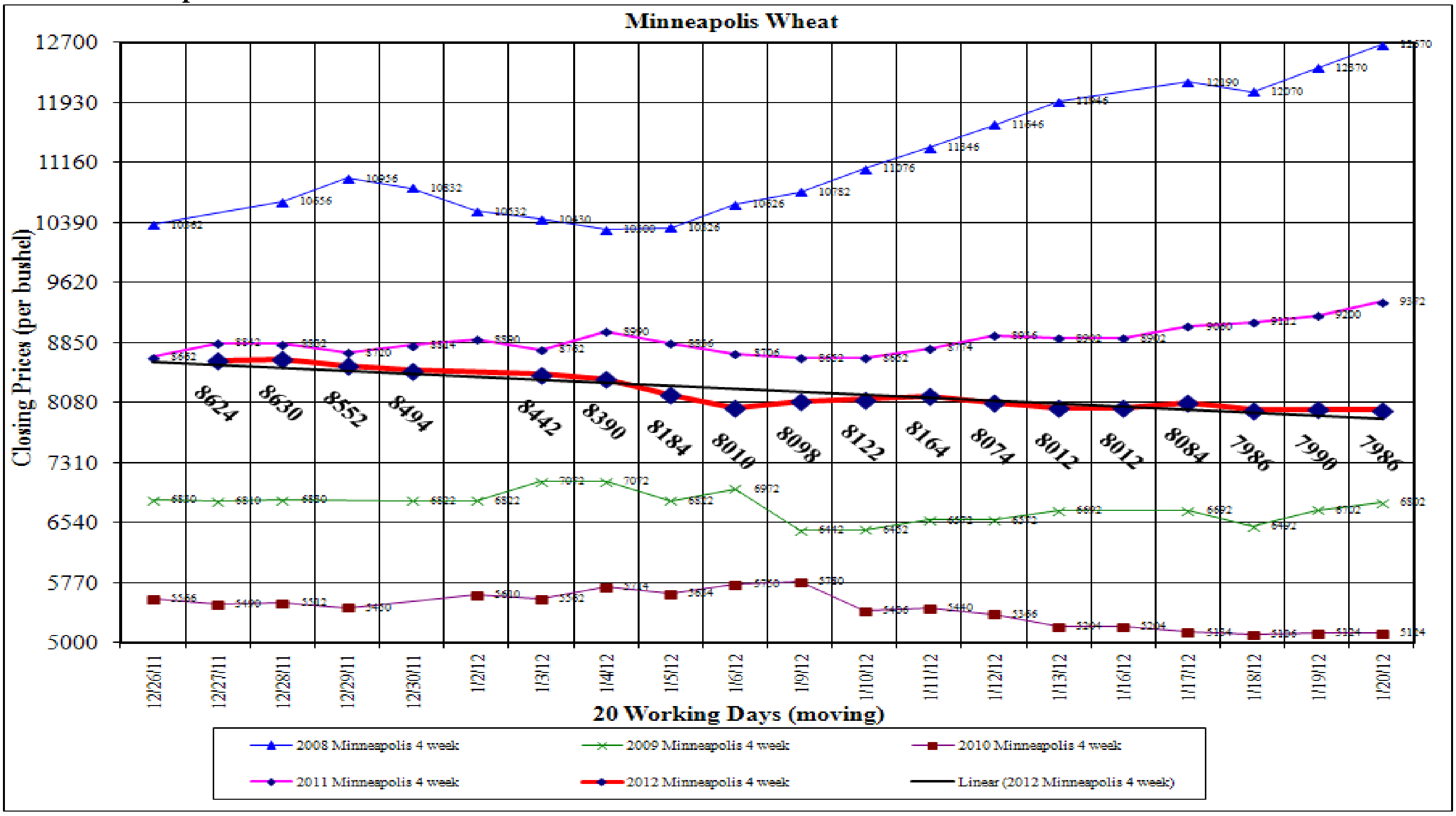


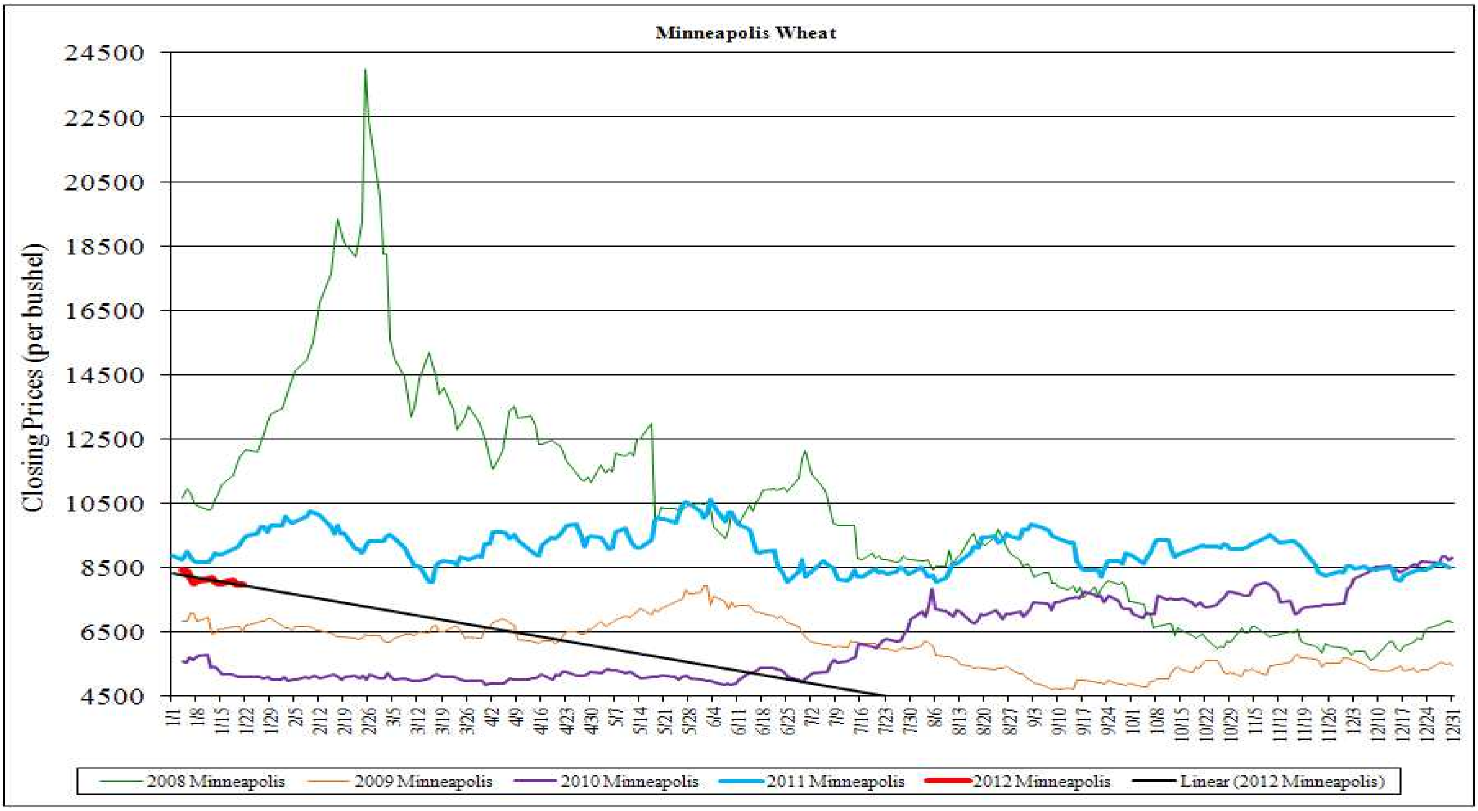


Kansas City Wheat is used to make **Hard Red Winter Patent flours (white pan bread) and H&R flours.**

Hard Red Winter wheat flour closed down $0.07/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 $0.06/cwt. off last Friday's close.

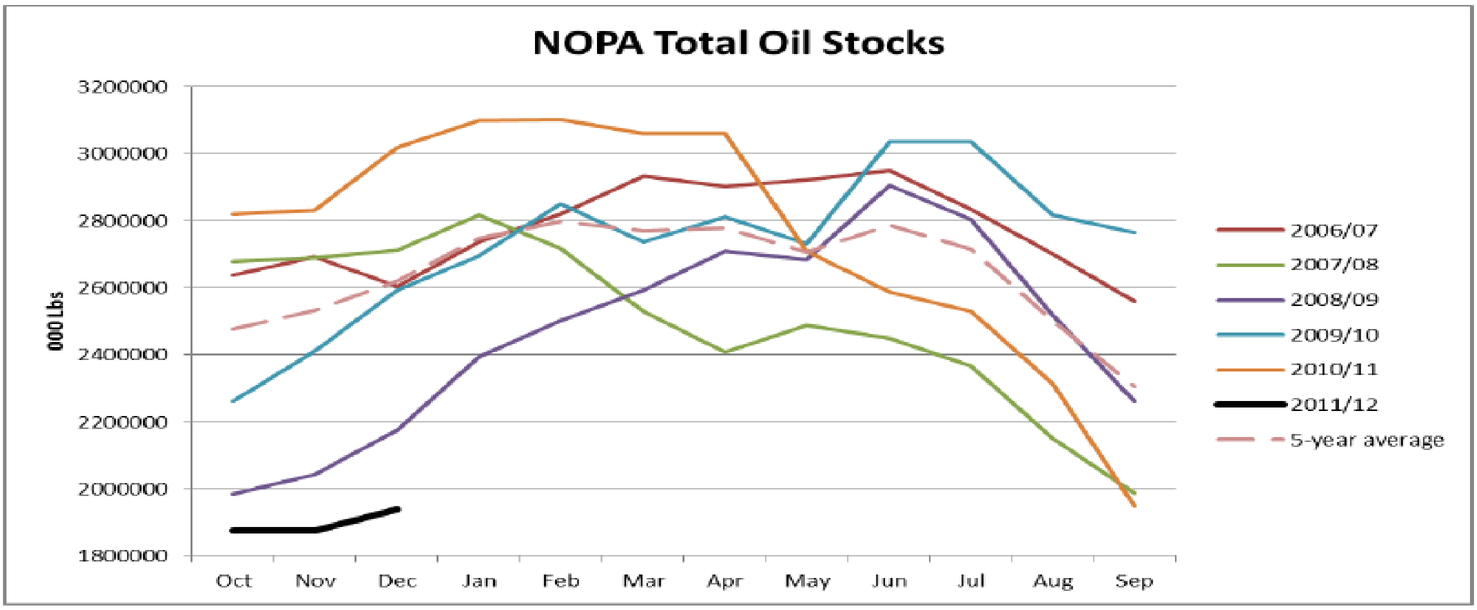
Shortening Market:
Soybean futures are trading slightly higher on increased demand for U.S. soybeans (with expectations of renewed business from China) and on the strength in nearby corn futures. Private exporters announced the sale of 120,000 MT of soybeans to China for 2012/13 delivery. That marketing year begins September 1, 2012.

Forecasts for widespread precipitation over Argentine and Brazilian soybean areas this weekend had already been discounted by the trade. South American weather is the main focus with the crop downsized over the past weeks due to the La Nina anomaly. There is a recent change in the pattern with more frequent periods of rain occurring. Soybean harvest is typically from March through May for central and southern Brazil where the majority of the crop is produced. Consequently, while corn in Argentina and surrounding areas has been lost, beans have time to make up the shortfall. Yet soybeans have showed very little reluctance to stay down even as corn drifts to the lower end of its trading range. Part of the soybean resilience is in the cash markets, both here and in South America. Too much rain in Brazil is beginning to impact early harvest, even turning back some business to the U.S. And both here and in South America the producer has been a reluctant seller.

Rain forecasts are changing by the moment - yesterday there was some speculation that we might be breaking the very dry pattern, but most were thinking that we might turn back dry after these past few days of rain - now the forecasters are putting in much more rain in both Brazil and Argentina and this could change some yield forecasts. Argentina is slated for a good rain event this weekend, and there is the general sense that for now the weather is beginning to break for these areas. The weather story (while never as bad as Argentina) in Brazil has started to shift. They seem to be completely out of the woods in terms of the hot and dry weather, and now have so much rain that it might actually be slowing harvest. A good rain could provide nice resistance for a soybean market rally.

The latest economic report from China reported growth at the weakest pace in 2.5 years which could affect demand for soybeans unless there is a further drop in the South American crop.

The National Oilseed Processors Association (NOPA) crush estimate came in at 145.4 million bushels, above trade expectations. Soybean stocks at select export elevators and terminals were up 2.32 million bushels from the prior week. NOPA showed this week that total oil stocks increased by 61.6 million lbs from November to December. There was a wide range of estimates on this number in the market, so this wasn't a huge shock. The average Nov to Dec increase in oil stocks is 88.3 million lbs. 2011/2012's total oil stock deficit to last year now stands at over 1.082 billion lbs (an deficit increase of 128 million lbs), and the deficit to the five year average is 684 million lbs (a deficit increase of 27 million lbs).



South American weather remains the main focus with the crop downsized over the past weeks due to the La Nina anomaly. Forecasters predict the La Nina will last until May/June but harvest will be completed by then. Soybean futures remain double digits higher on a renewal of South American weather concerns. Argentina is expected to be hot and dry through Sunday but a cold front is supposed to bring showers and cooler temps after that. Argentine grain exchange Rosario left the Argentine soybean production estimate at 49.5 MMT, 1 MMT lower than the U.S.D.A. Oil World announced that soybean production in Argentina and Brazil would be cut by a combined 3.8 million tons. This compares to U.S.D.A.'s recent cut of 2.5 million tons. Surrounding countries were also said to be too hot and dry, with losses in Paraguay as well - dropping to 6.0 million tons from 8.37 million tons. Soybean and soybean meal premiums have jumped in South America due to early harvest delays, which is restricting supplies for export and crush.

The trade will continue to focus on South American soybean production prospects, on China's buying in the world market and on U.S. soybean demand developments. Improved U.S. corn and soybean export sales activity combined with limited U.S. producer selling could provide good underlying support for the soybean market. Further potential strength in corn could be supportive for soybeans.

This week's oil market put in a firm performance as prices closed at higher levels along with strength in soybeans. Major supportive inputs included fund buying; strength in soybeans and concerns of a slowdown in the U.S. soy crushing industry (may restrict supplies of soy oil). In addition the market was supported by concerns that funds continue to have short positions, traders who bought oil/sold meal and strength in the Chinese markets. Major negative inputs included commercial selling and weakness in crude oil.

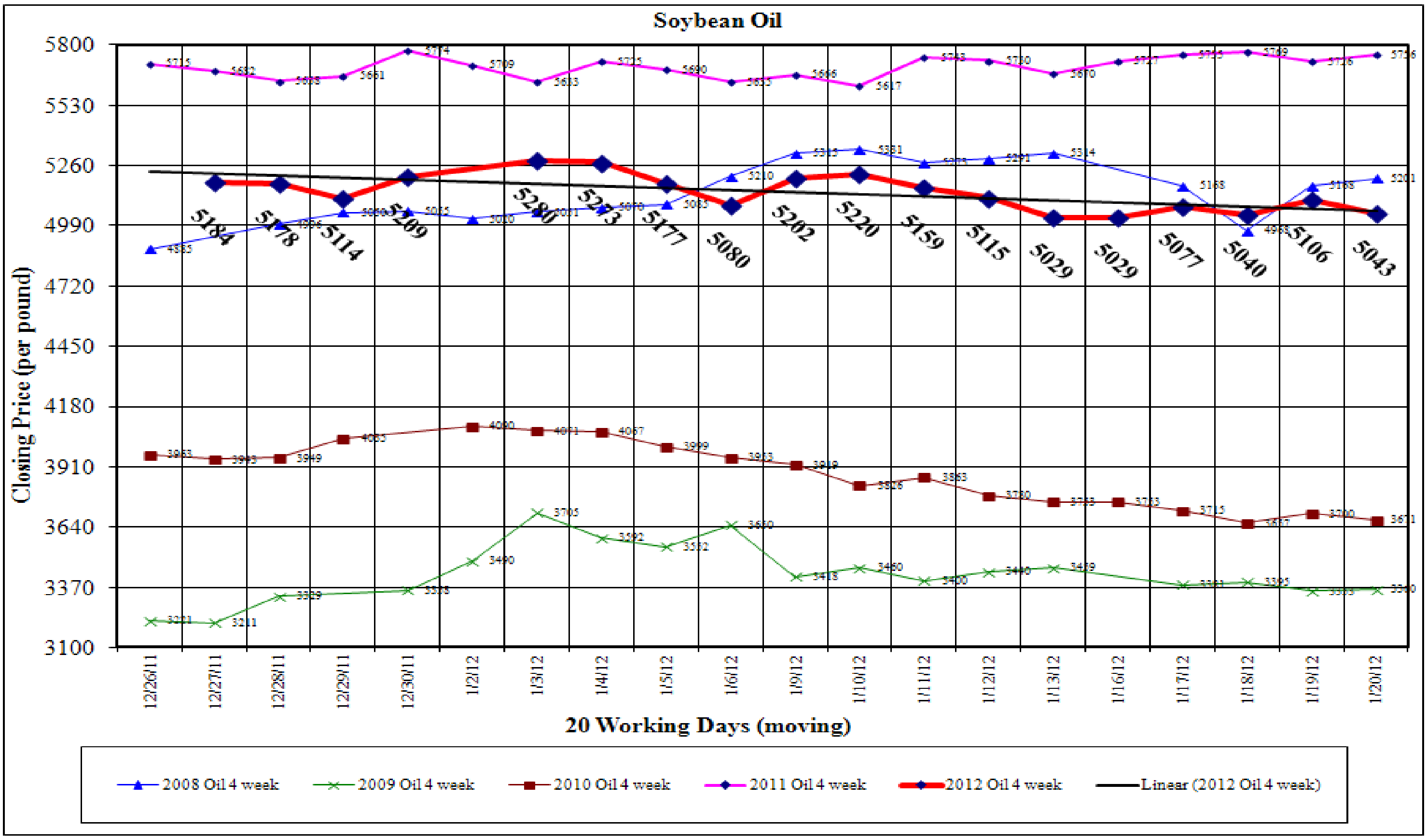
The price outlook for soybeans: The March soybean market seems to have established 11.75 as a comfort level for now, with trade swinging $0.25 either side. Buyers are waiting below to price something on a break of size. Expect a near term support at around $11.65, then $11.20, basis the March, with upside at $12.50, depending on South American weather and Chinese demand. Basis the nearby rolling Chicago futures contract, the estimate of the 2011-2012 crop-year average is that it will end up around $10.50, with a low/high range of $9.00-14.46 (already established).

Soybean meal March outlook: Meal is expected to trade in a wide $280-340 range.

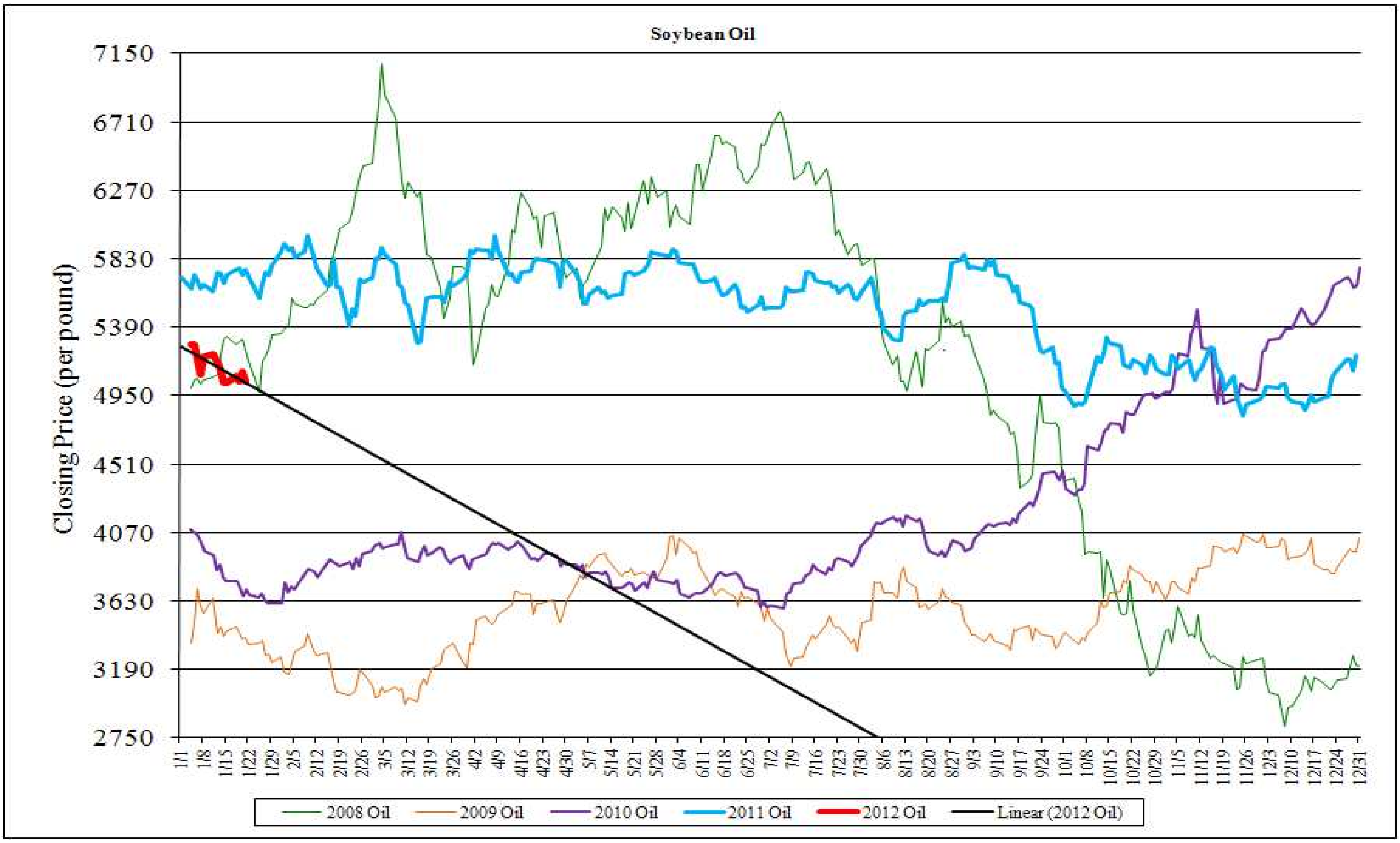
Soybean oil March outlook: Soybean oil is expected to trade in a $0.485/lb.-$0.555/lb. range. Initial support is seen at $0.49/lb. all basis March futures.

Historically from mid January through February soybean futures have a tendency to move lower as South America soybean crops approach harvest. This trend has happened even in years of drought as weather premium evaporates and world adjust to production output.

Shortening closed up $0.08/50# cube ($0.05/35# pail of oil, $0.0015/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)

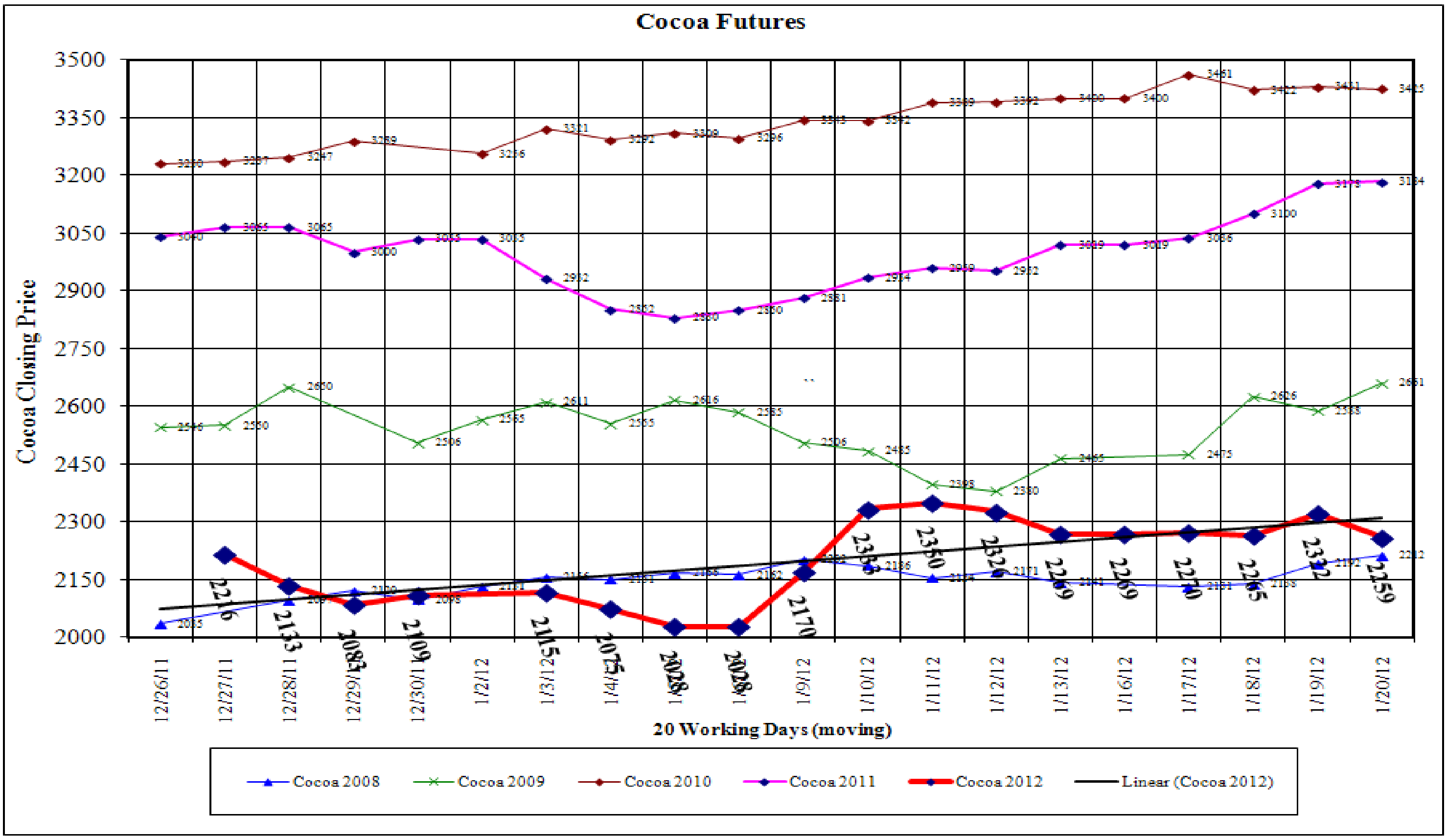
Cocoa Market:
Here are some of the notes I took while attending the Cargill Cocoa Seminar in St. Louis on Thursday. (Thank you to **St. Louis Food Ingredients** and **Cargill** for another ***first class*** review of the cocoa/chocolate industry):

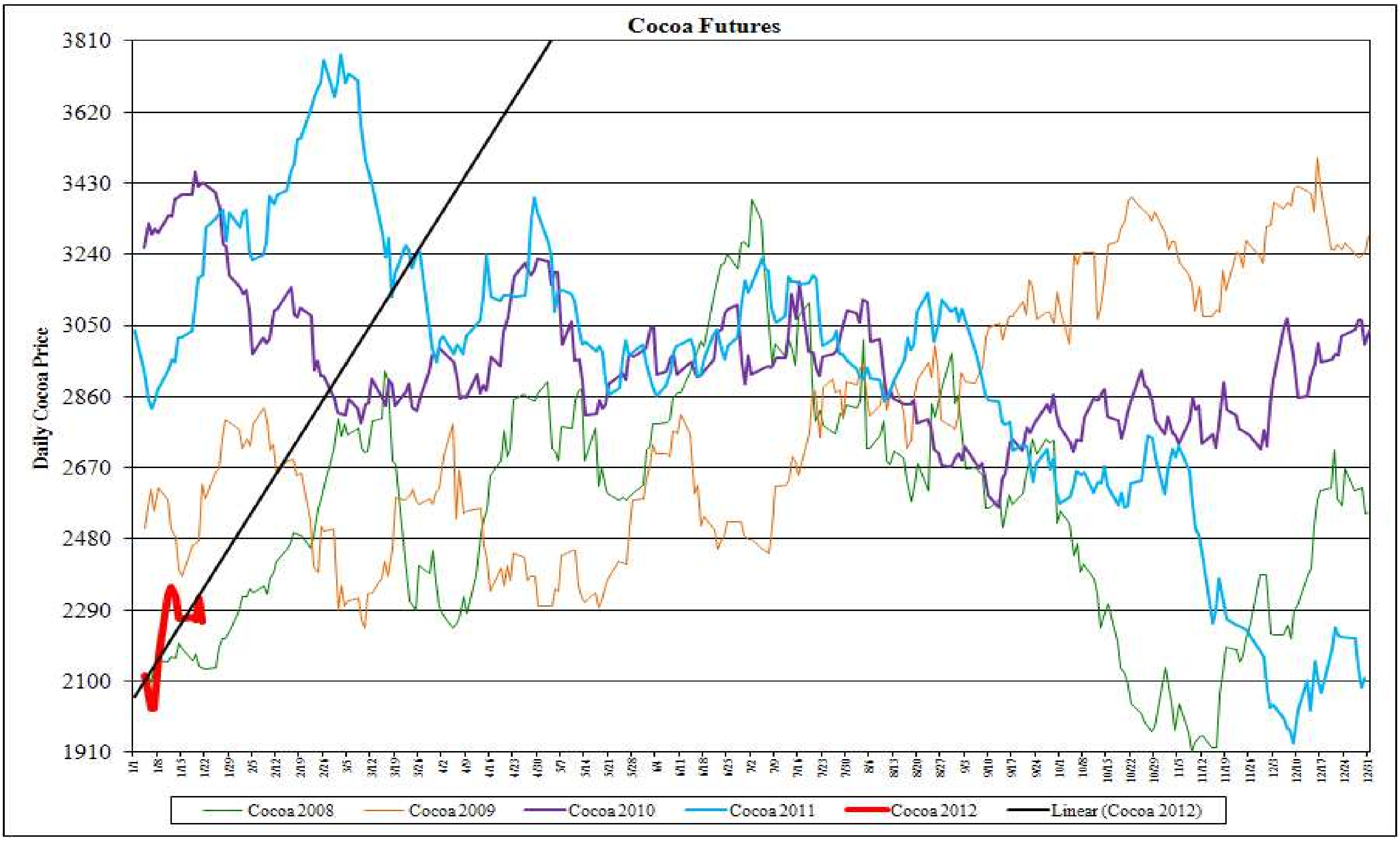
1. Ivory Coast—
   - Ivory Coast is recovering from their recent civil war.
     - Exports resumed April 2011
     - Farms were not abandoned (as was feared)
     - Nevertheless, there has been no infrastructure maintenance effort yet.
   - Ivory Coast crop fundamentals:
     - The January rainfall is always the lowest of the year, but this month's rain is non-existent.
     - The mid-crop will be adversely affected—particularly when compared to 2011. Last year's mid-crop was huge and weather was ideal.
     - This year's mid-crop will see a reduction in pod density.
   - Ivory Coast economics:
     - The farm price is low, but volume was up so farmers made some money.
     - The current market price is significantly lower than the "official" price.
   - Ivory Coast crop forecast—supportive to higher prices by year end:
     - The yield trend is lower.
     - Weather is assumed to be "normal"
     - Crop quality and quantity will be relatively "flat".
       - Disease still prevalent (black pod).
       - Trees are older—moving into a mature life cycle. New trees are not getting planted, and it takes several years to bear once planting has been done.
       - Soil is not been rejuvenated. Very little fertilizing has been done.
   - Once global economies rebound (especially in the EU), demand will rally, and the cocoa crop will **not** be able to respond quickly—shortages could result.
   - Ivory Coast market reforms instituted by new government:
     - Goal is to provide a stable price for farmers
     - 70% to 80% of the crop will be sold forward.
     - Export "rights" will be sold via internet auctions—but ownership of cocoa is not involved; merely the export rights. Cocoa will still need to be purchased from the farmer and transported to port.
     - Farmers to get 60% of the forward price.
     - The government claims the quality of the cocoa bean will be insured—although it is not certain how this could be controlled.
     - No one knows if the reforms will "stick". The government is not 1 year old, and the former President (and his supporters) are still "around" and have nearly 50% support of the population.
     - As reforms begin to implement, a large quantity of cocoa will come to market—and could force prices to fall. Will the farmer sell in this depressed market at the government mandated price (we are seeing the lowest prices of the current market year)?
     - If cocoa futures rally later in the year, the farmer could (will) revert to smuggling product through porous borders at higher prices. The channels for smuggling are well established.
   - Cocoa futures are only "truly" liquid two periods out (i.e. currently the March and May option). Beyond this, there is no real liquidity. Shorts would end up getting filled with cocoa not yet priced. This implies considerably volatility, and could be very bullish.
2. Ghana—situations are much better. The government supports the cocoa industry much better, and the crop size is large.
3. Indonesia—
   - 2009-2010 Weather was dry and disease was minimal.
   - 2010-2011 More rain and more disease. Crop was poor.

- 2011-2012 Crop will be better than last year. The results of a concerted "grafting" effort will increase yields significantly this year.
- Export tax enacted and the dumping of product into the U.S. has been affected. "Cheap" cocoa dumped on the U.S. market is no longer available. U.S. now much more dependent on Ivory Coast and Ghana sourced beans.

4. Global Crop forecast—net of all changes, **<u>UP 3%</u>** this crop year:
   - Ivory Coast—flat
   - Ghana—up 7%
   - Indonesia—up 3%
   - Rest of the World sources—up 5%
5. EU stocks of beans in warehouse are historically low. Expect this is a result of the uncertainty in Ivory Coast last year, and an increase of "stockpiling" by grinders and manufacturers. Record low stocks and selling futures (with low liquidity) against shorts can result in potential pressure to move markets higher.
6. Last year, demand was significantly lower than expectations. The market was looking for growth in demand of 5% to 10%. Actual growth was 2%. Yet, in spite of "flat" demand, we are running a deficit.
7. Last year's price rally contained a considerable amount of "risk premium" over fundamentals (due to Ivory Coast uncertainty). Beginning Q4 2011, prices corrected; longs moved to shorts. The market moved closer to "fair market evaluations". Risk has moved out of the market.
8. Currently, butter ratios have rebounded. The current market is much more "in balance" than has been the case in over two years.
9. Butter/chocolate buyers currently own 10 to 11 months coverage (significantly longer than "normal"). This will temper the inclination to "panic" buy. There will still be "panic" inspired rally spikes, but they will be driven by the funds—not the end users. These rallies—although large in size—should be short in duration. Given their long ownership position, end users will be able to ride out volatile swings.
10. Cheap butter has (finally) started to stimulate some growth in demand. As economies recover, butter demand ought to increase and could grow by 10% this year. A default in Greece and/or other EU problems could adversely affect this estimate.
11. Powder prices are too high, and have finally begun to dampen demand.
12. The "market" is (finally) starting to "work".
13. The significant decline in cocoa pricing in late 2011 is primarily a result of the significant drop in currency values—not due to cocoa market fundamentals. In fact, EU cocoa pricing is still expensive.
14. To a large degree, the demand of cocoa powder/cocoa butter is a function of the price of other commodities (i.e. milk, sugar, etc). During most of 2011, these other commodities were at historic highs and the combination of all these high prices dampened cocoa demand. As these markets return to more "normal" price levels, and as economies rebound—especially in emerging markets—the price of cocoa should be protected against huge rallies.
15. Cocoa butter is still historically cheap. Buyers should take advantage, and lock up chocolate/butter requirements as far into 2013 as possible.
16. Powder looks to remain stable near current levels. Further significant price reductions are not likely, but a huge rally doesn't look to be in the cards either.

Cocoa closed down $10.00/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
Sugar had its lowest close since last October, and remaining, long-term, in a bear market.

#11 sugar futures remain trapped in a trading range base, but are currently trading near the top of the range. Rallies in the #11 sugar futures are being by good crops out of Russia and Europe, as well as favorable exports prospects out of India and favorable rains on Brazil's cane crop. At the same, sugar supplies in the Central America and the U.S. are tightening up.

American Crystal Sugar continues to operate with their workers locked out.

U.S. supplies of the sugar are going to get extremely tight by Q3—there is already market chatter about tight supplies here and in Mexico. U.S. sugar balance sheet is supportive to prices; expect domestic prices to firm.

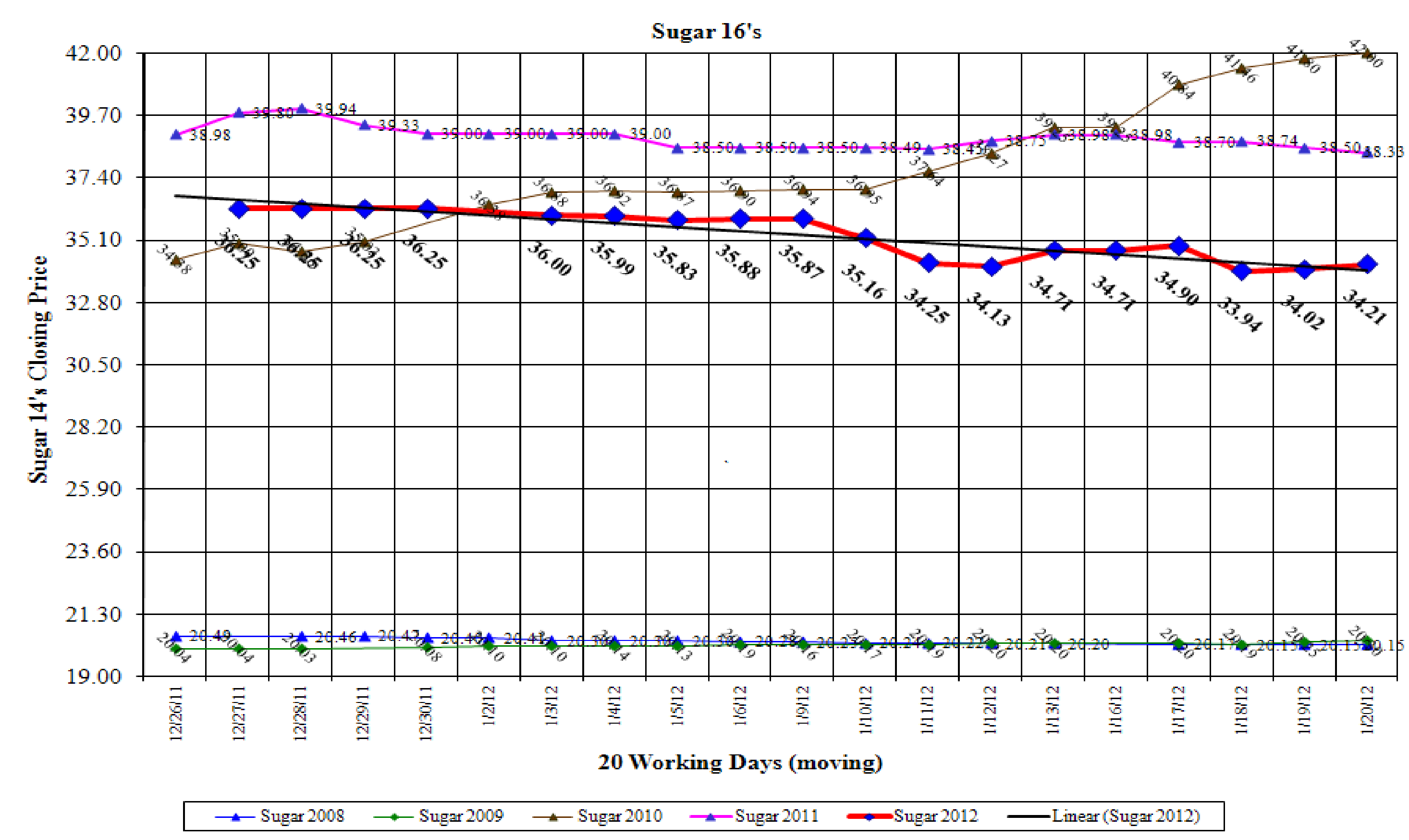
China may be world's largest sugar importer by 2020—
BEIJING, Jan 18 (Reuters) - China is likely to become the world's largest sugar importer by 2020 as consumption grows along with incomes, said Commonwealth Bank of Australia in a report on Wednesday. CBA said increased urbanization and a Westernization of diets would see sugar consumption rising rapidly in countries with low rates of sugar consumption per person such as China. Per capita sugar demand in China is just 7.6kg per person per year, the report cited the United Nation's FAO as saying, while in developed Asian nations such as Japan and South Korea the per capita sugar demand is 29kg/person/year and 36kg/person/year, respectively.

Some developed Western nations displayed considerably higher demand, with Australia at 47kg/person/year and the United States at 67.6kg/person/year, it said. China's National Bureau of Statistics earlier this week that the country's urban population, now 51% of the total population, had for the first time exceeded the rural population. More than 100 million rural Chinese people would settle in towns and cities over the next decade as a new generation of migrant workers turn their backs on farming, the National Population and Family Planning Commission said in a report released late last year.

Wages for migrants have been rising in recent years. In its favored growth profile, CBA forecast growth in China's per capita consumption of sugar at 4.4% annually over the next few decades, doubling the 2000-2007 annual growth rate of 2.2%. "Under this scenario, total Chinese sugar consumption (would) rise by 63% from 2010 to 2020 (and) by 2030, total Chinese sugar demand would be some 2.6 times 2010 demand" it said.

China's sugar consumption was estimated at 13.5 million tons in 2010/2011 crop year by the China Sugar Association. China targets a sugar output of 16 million tons by 2015, according to its 12th five-year plan for the food industry from 2011, aiming to meet 85% of domestic sugar demand with self-supply. CBA said China's sugar imports would rise to 4-5 million tons by 2020. China imported 2.42 million tons of sugar in the first 11 months of 2011, up 48% from a year earlier, Chinese customs data showed. Under CBA's more conservative scenario, China's sugar consumption could still swell by 31% between 2010 and 2020. Although China will not be forced to tap additional imports for the smaller expansion in demand, "it means that any Chinese production scares (i.e. due to weather or pests) will have a more pronounced impact on international trade flows and therefore on global sugar price volatility," it added.

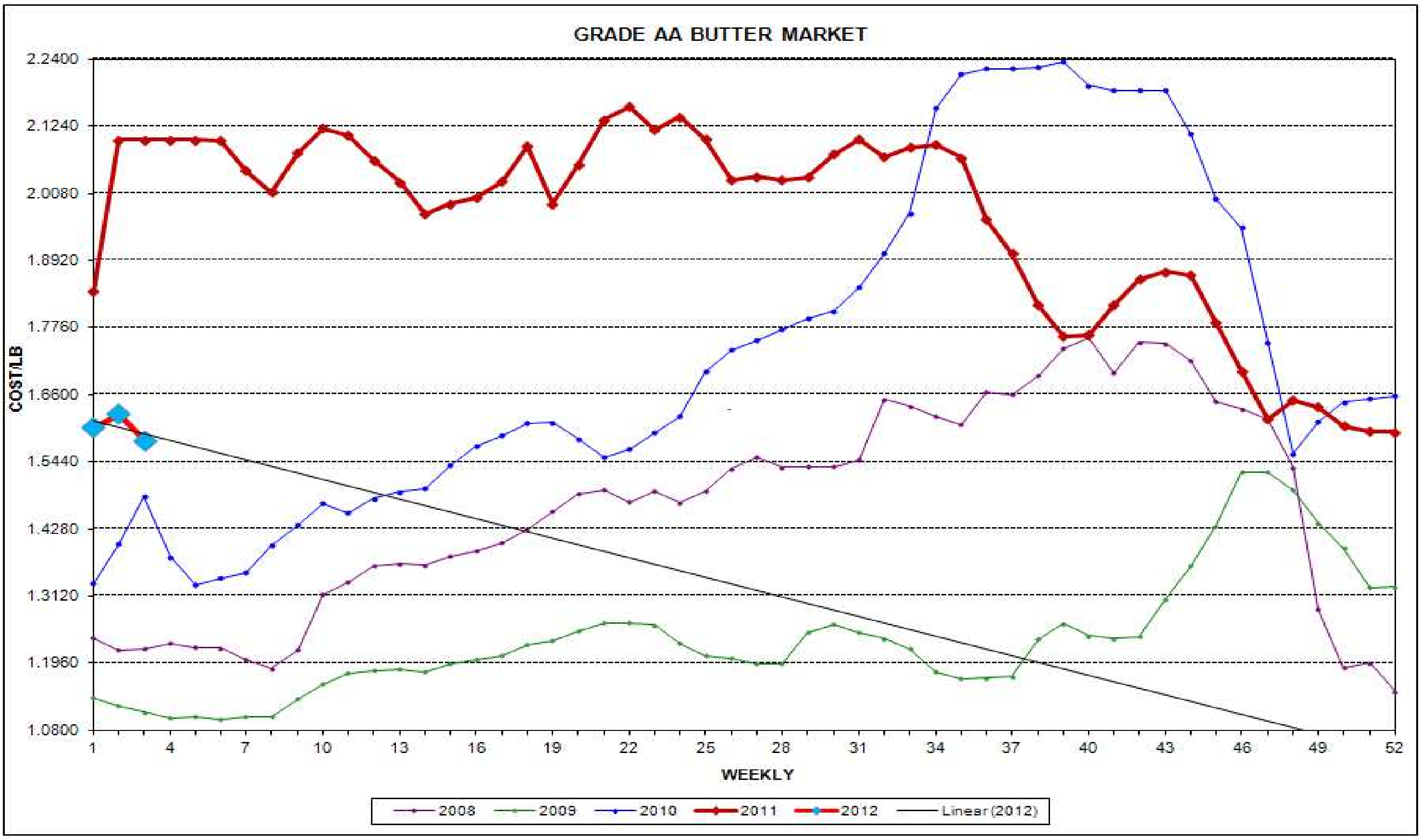
Sugar 16's closed down $0.50/cwt for the week (versus last Friday's close)



Sugar 16's
Sugar 14's Closing Price
20 Working Days (moving)
Sugar 2008
Sugar 2009
Sugar 2010
Sugar 2011
Sugar 2012
Linear (Sugar 2012)

Sugar 16's
Daily Sugar 14's Market Close
Sugar 2008
Sugar 2009
Sugar 2010
Sugar 2011
Sugar 2012
Linear (Sugar 2012)

Butter Dairy Market



Score AA butter closed down $0.0075/lb on Friday, ending the week at $1.57/lb. The weekly average is $1.58/lb. up $0.0465/lb from last week's average.

A. Butter Market

During the week, the butter price dipped to the lowest point since December 1, 2010, and closed the week at $1.5700. Churning schedules across the country are seasonally strong. Cream supplies vary from one region to another, but for the most part, are readily available. Current churning often surpasses demand, thus clearances to inventory are increasing. Overall butter demand is often stronger than butter producers and handlers anticipated, thus print butter continues to be generated, but bulk output is heavier. Conversations are starting to occur between buyers and suppliers about upcoming Easter/Passover needs. These early conversations are indicating that some retail feature activity might be in the works, but will probably not be significant. According to the Foreign Agricultural Service, exports of butter and milk fat for January-November 2011 total 133.1 million pounds, up 15% or 17.8 million pounds from the comparable 11 month period in 2010. Saudi Arabia is the largest importer with a 24% increase (+5.0 million pounds) above last year's amount. The exports account for 8.1% of butter production in the U.S. for January-November 2011 period.

B. Dairy Powders

Nonfat dry milk prices were mixed this week. Low heat NDM prices were lower in the Central and Eastern regions, while steady to slightly higher in the West. High heat prices moved higher in the Central and Eastern regions, while the price range narrowed in the West. Drying remains active with some plants in the Central region operating at near capacity. Inventories are building with multi-load discounts being offered by some for low heat NDM. Domestic accounts are filling their needs via contracts, spot sales activity is light and export markets are unsettled. Dry buttermilk prices are trending lower as production is very active and adding to inventories. Spot activity is light, while export inquiries have increased. Dry whole milk prices are mixed with increasing production. Dry whey prices were unchanged to fractionally higher in the Central region, higher in the East and West on contract formulations. Spot load availability from manufacturers is light, with most buyers without contracts finding supplies through the broker/trader network. Prices for whey protein concentrate 34% moved slightly higher. Lactose prices moved slightly lower with buyer interest steady.

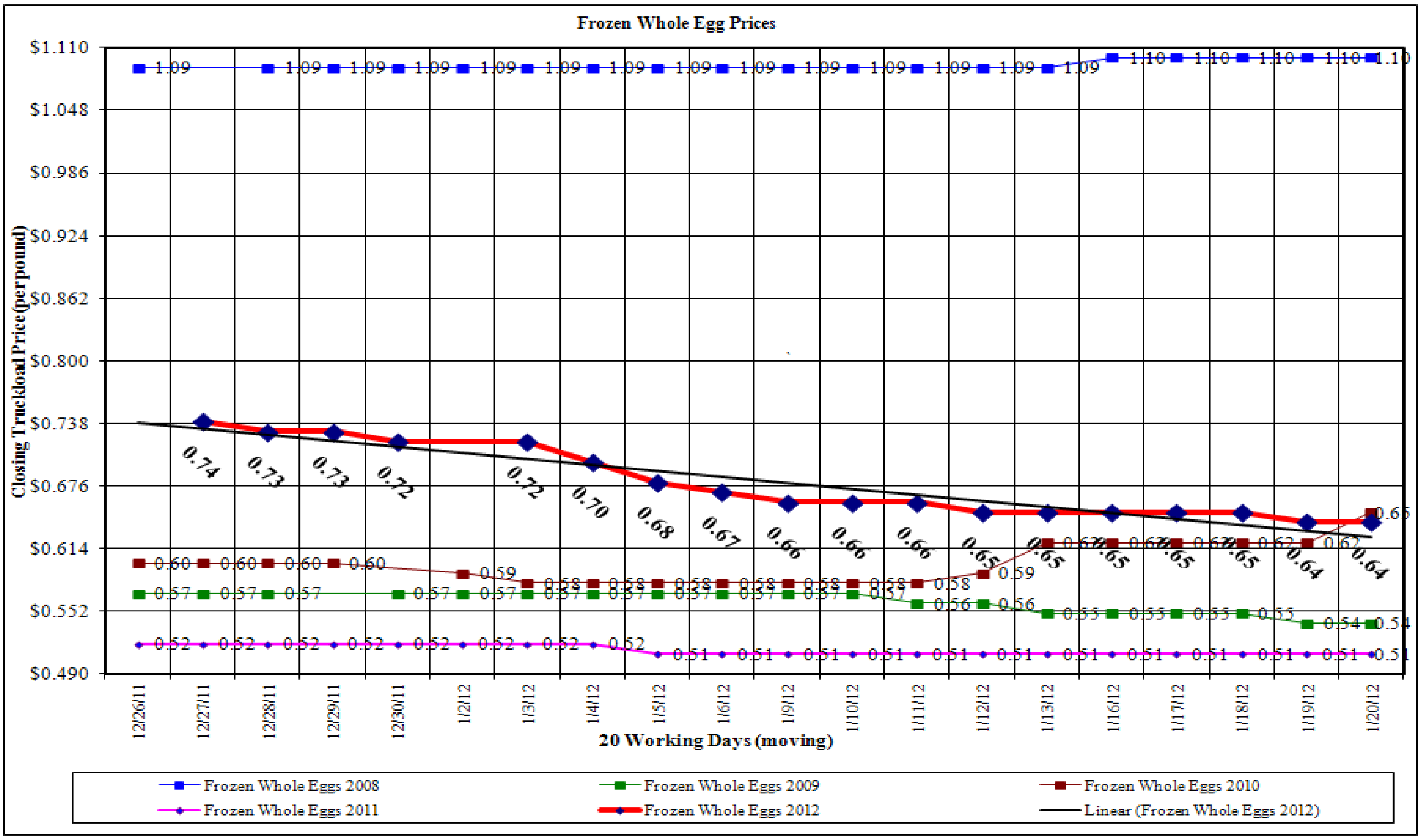
Eggs
Retail demand is reported in a range from fair to good. Buyers continue to show willingness to place orders, but are not taking large inventory positions at this time. Current conditions are "seasonally average". Feature activity is somewhat more mixed, with some noting ads as low as $0.99/dozen. Consumer buying patterns have not been affected much by weather so far this winter, and that may be playing a role in the somewhat slow start to the year. Export opportunity is present from several trading partners overseas, both to the east and west. Supplies of all sizes are once again described as adequate. Previously burdensome supplies have been relieved by retail orders for the most part, but most still have enough floor stocks on hand to fill customer demand. Offers to sell are more abundant than bids to buy, but most are able to keep inventories balanced internally if need be. Completed transactions are limited but continue to improve from the discounted values associated with trading last week.

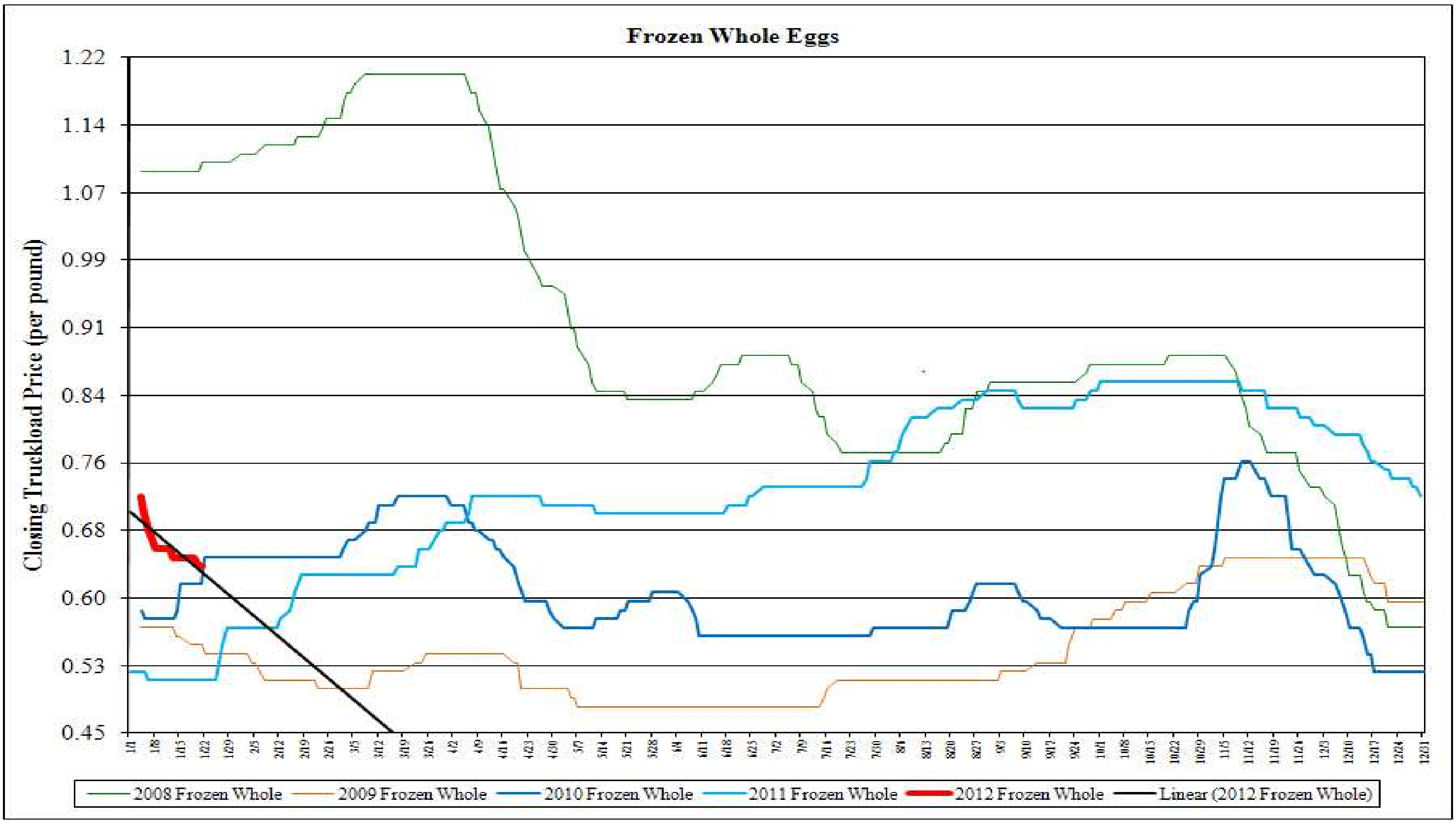
Further processors are not aggressively pursuing supplies of breaking eggs at this time, but with the graded market showing signs of improvement, discounted offerings have diminished. The market is steady. The national shell egg inventory decreased 5.1% from last week's figure, but up 30.1% from the same week last year as reported by the U.S.D.A. Breaking inventory has advanced 1.9% this week, totaling 290.0 thousand cases. The total shell egg inventory is 1,388.1 thousand cases, down 3.7% from the past week's total. Inventories have finally begun to decline as producers are making seasonal adjustments to their flocks. The market is considered "steady" following a 34% price decline since its holiday peak. These levels are allowing retailers to feature, resulting in a pickup of orders during a historically slow period of demand. Inventories are still above normal however, as most buyers have been reluctant to take a heavy position.

Broiler egg-sets were 94% of last year in the w/e Jan 14th. Chick placements were 96% of year ago - in line with recent trends.

The egg products market is not very active; however increased buying interest is noted in the liquid whole egg and white categories. Trading here is minimal but inquiries have been noted within established support ranges, rendering them unchanged. The liquid yolk complex remains quiet with little spot activity to note. Sellers in the frozen and dried categories are attempting to hold asking prices at current levels, and are more comfortable doing so feeling that raw material prices have reached bottom.

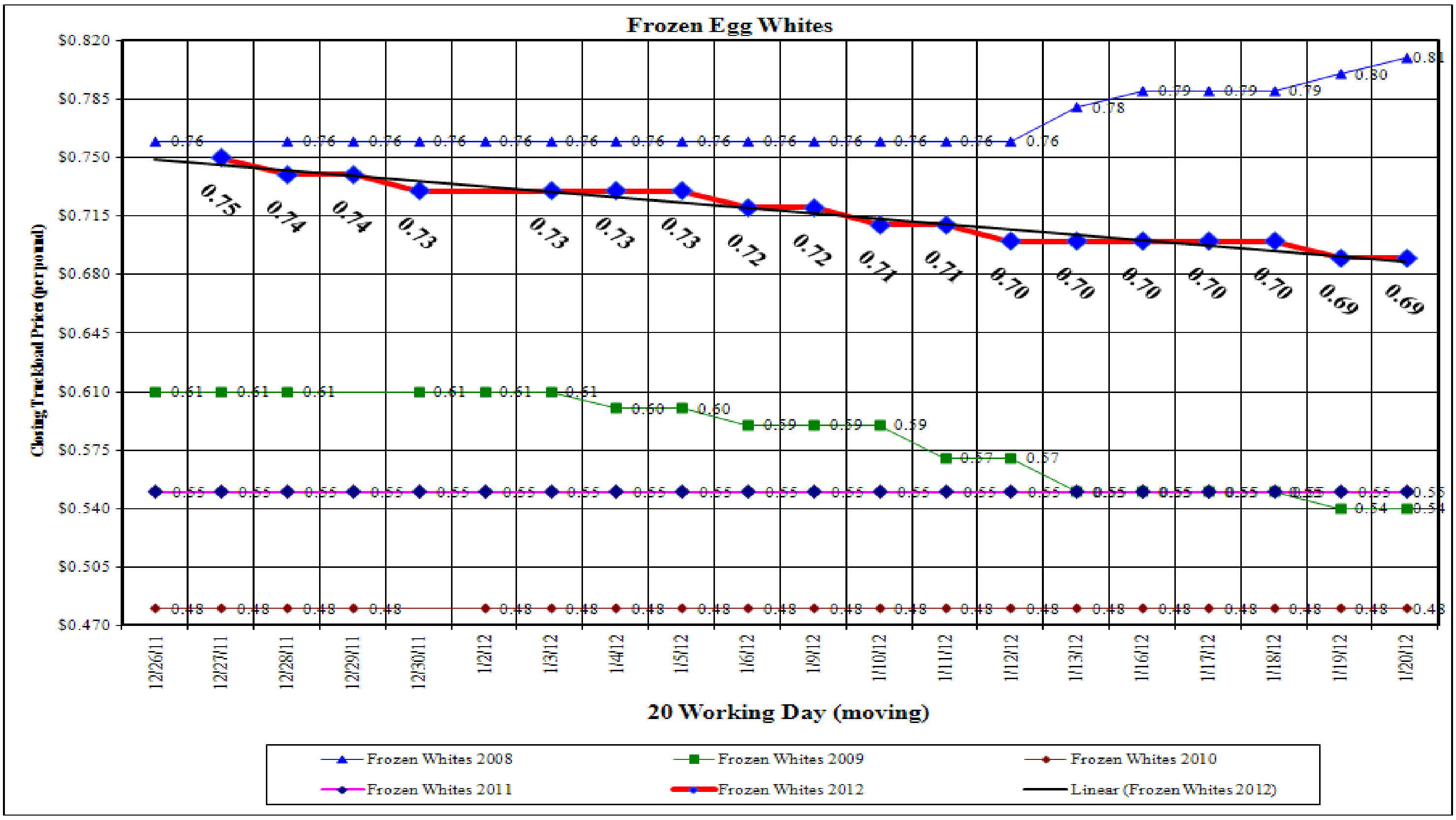
a. Frozen Wholes

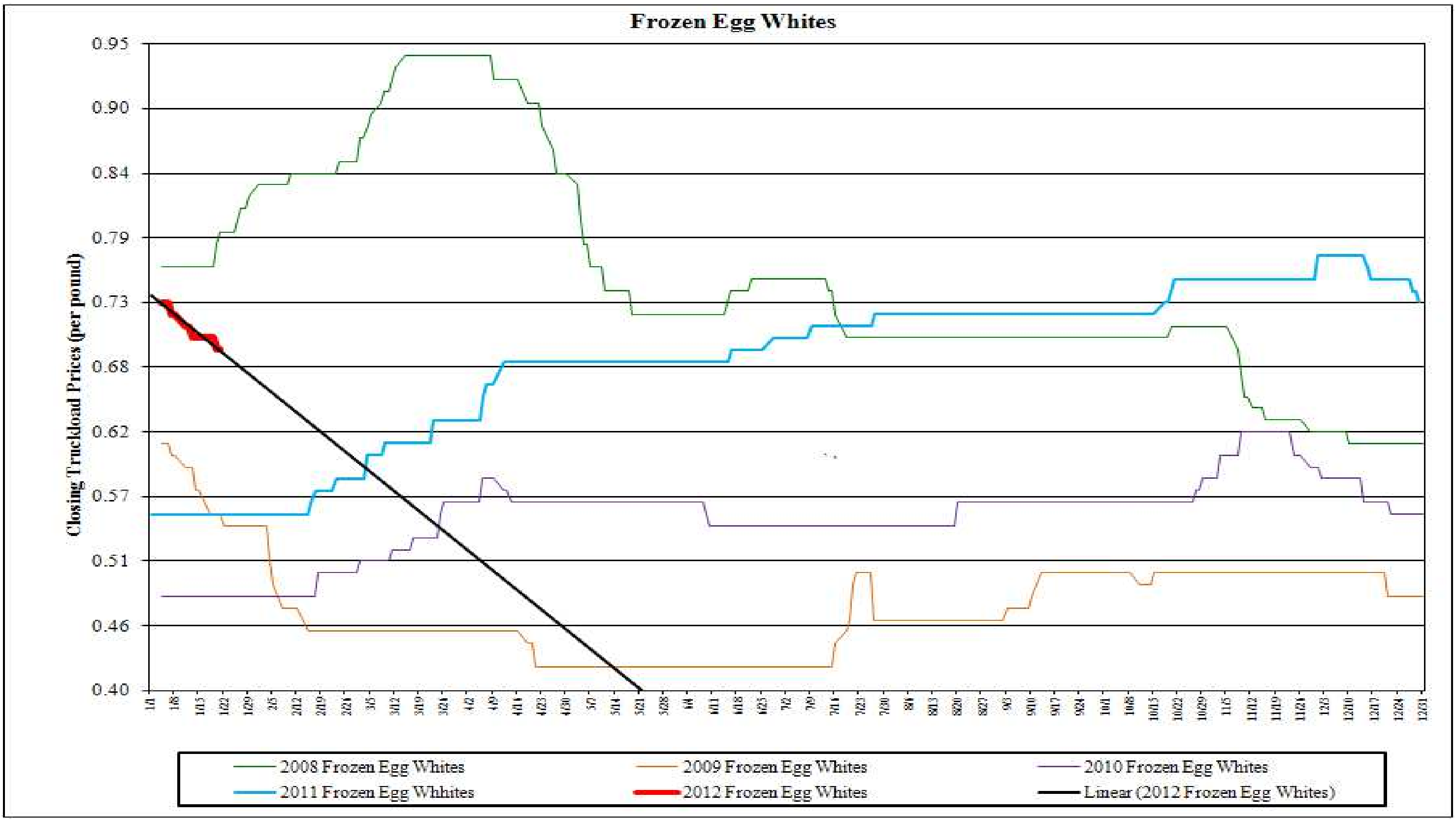




Frozen Whole Eggs closed down $0.01/lb. for the week (compared to last Friday's close).

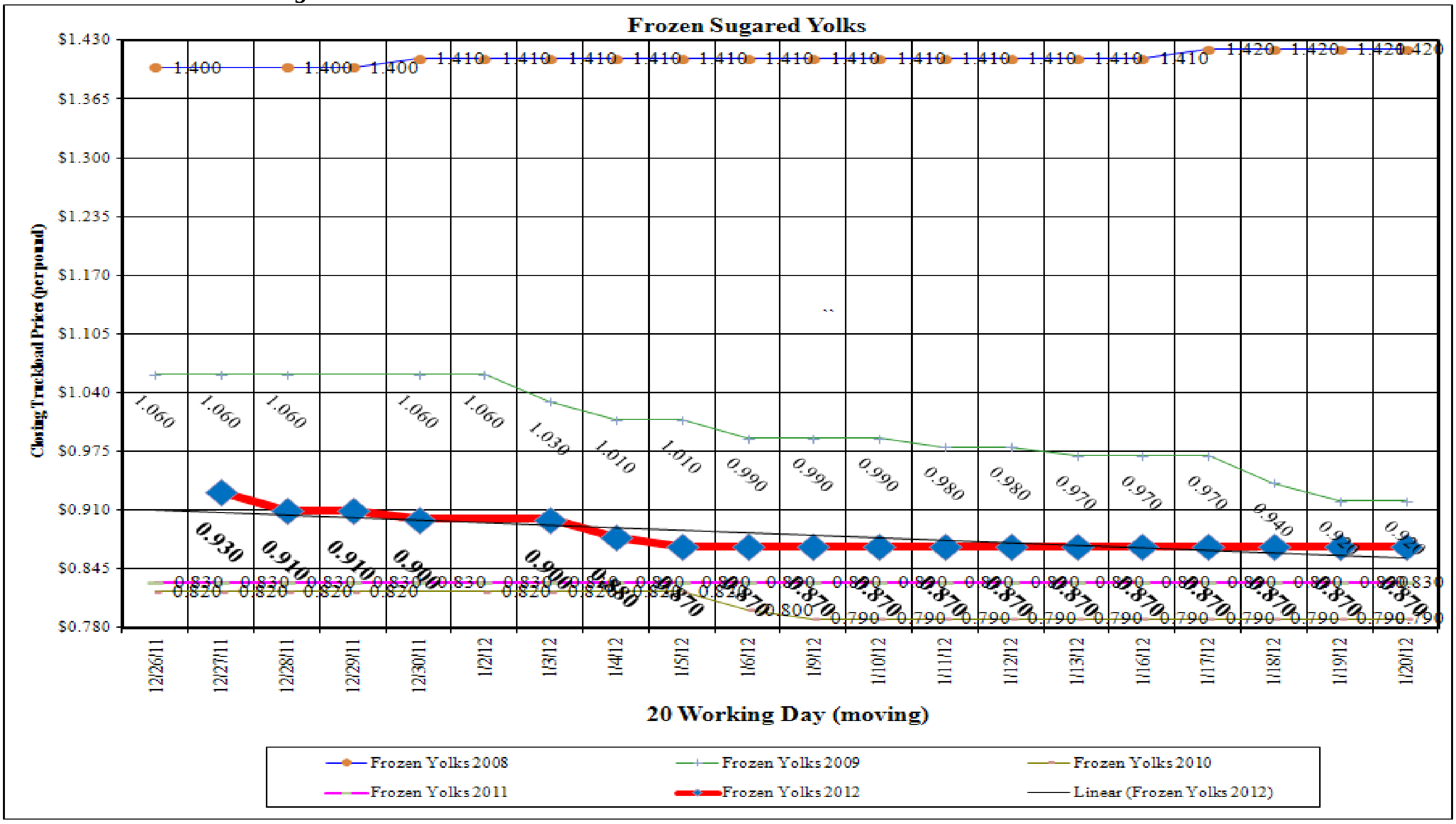
b. Frozen White

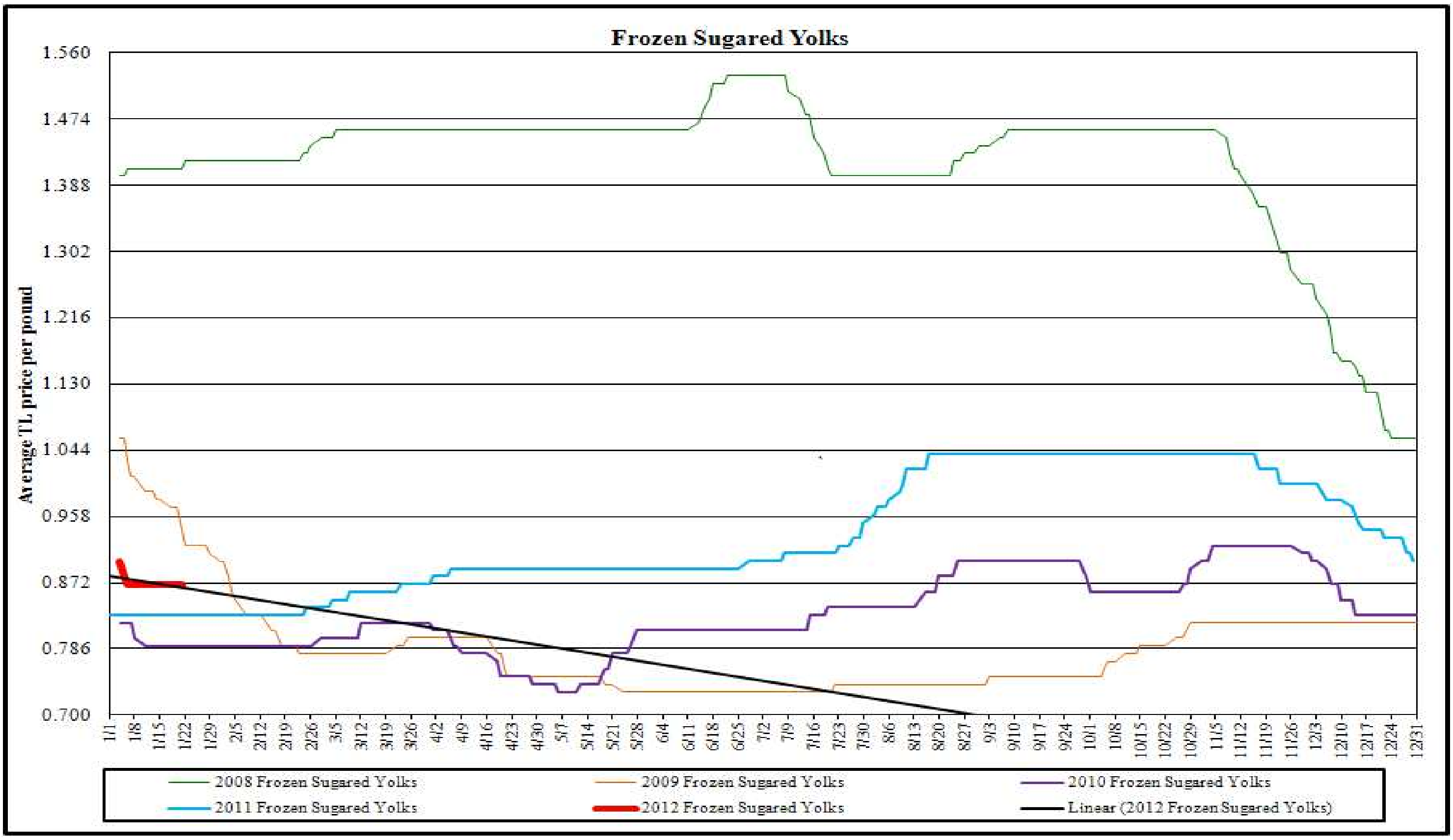




Frozen Egg Whites closed down $0.01/lb. for the week (compared to last Friday's close).

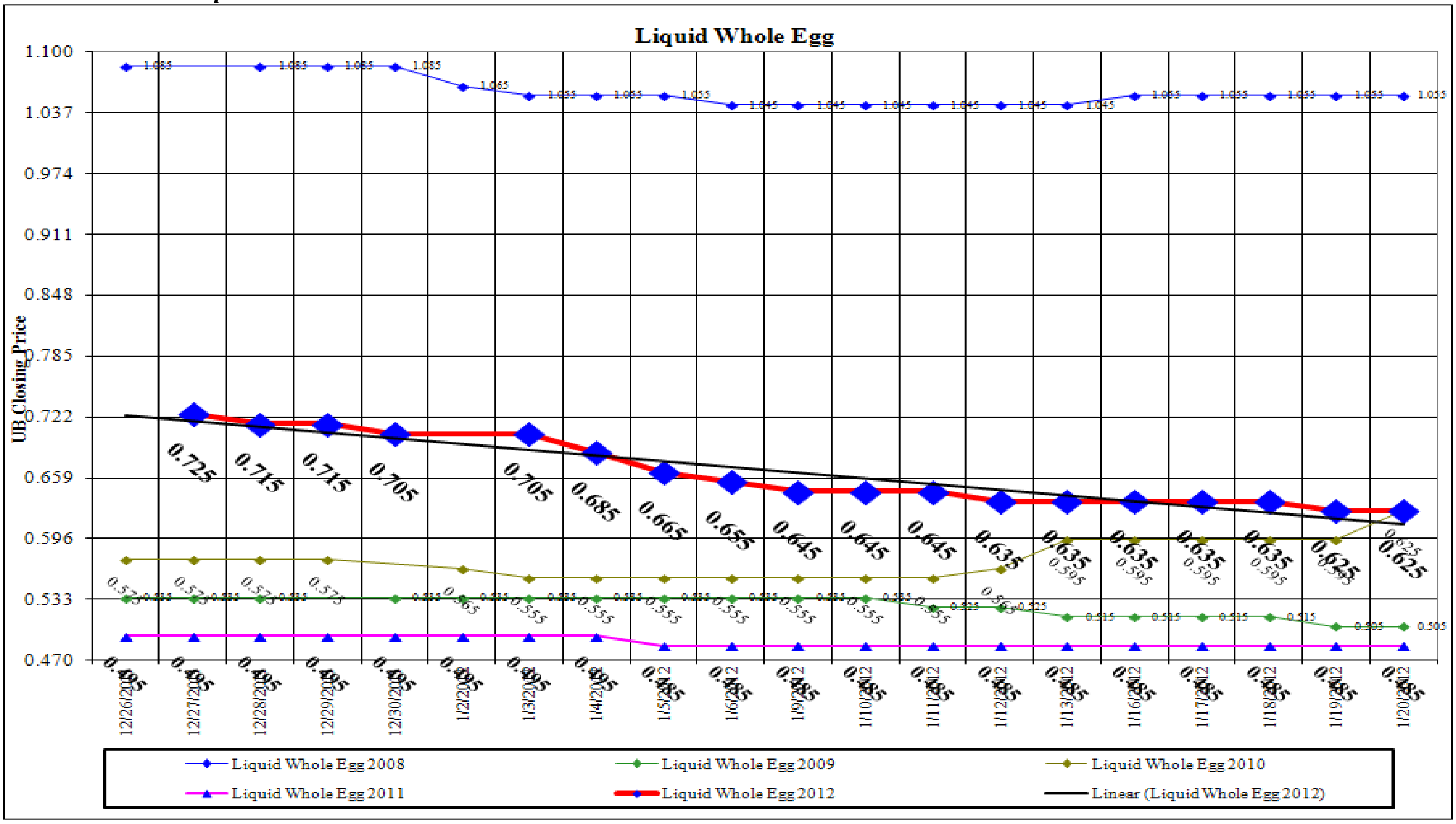
c. Frozen Sugared Yolks

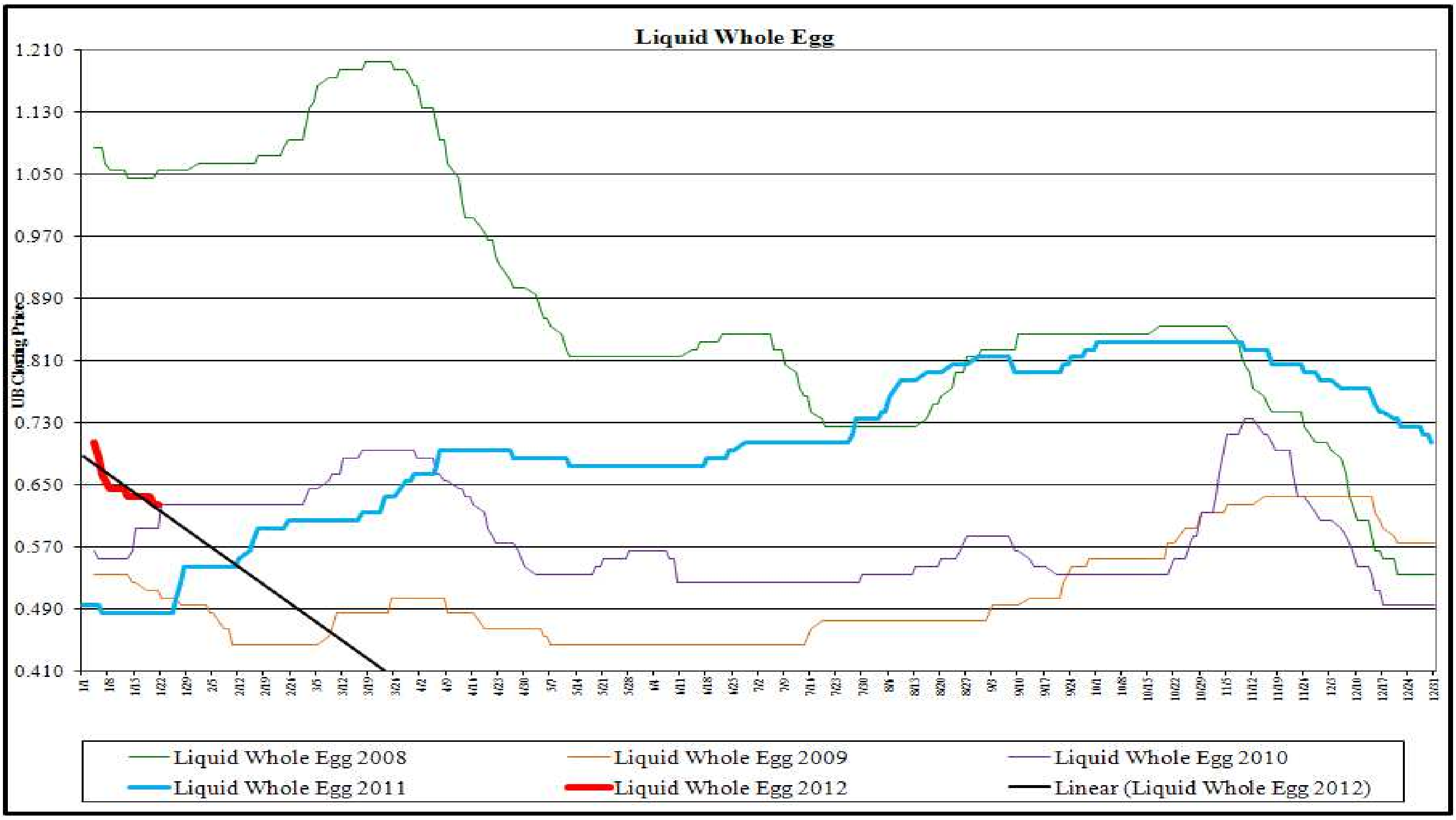




Frozen Sugared Yolks closed "no change" for the week (compared to last Friday's close).

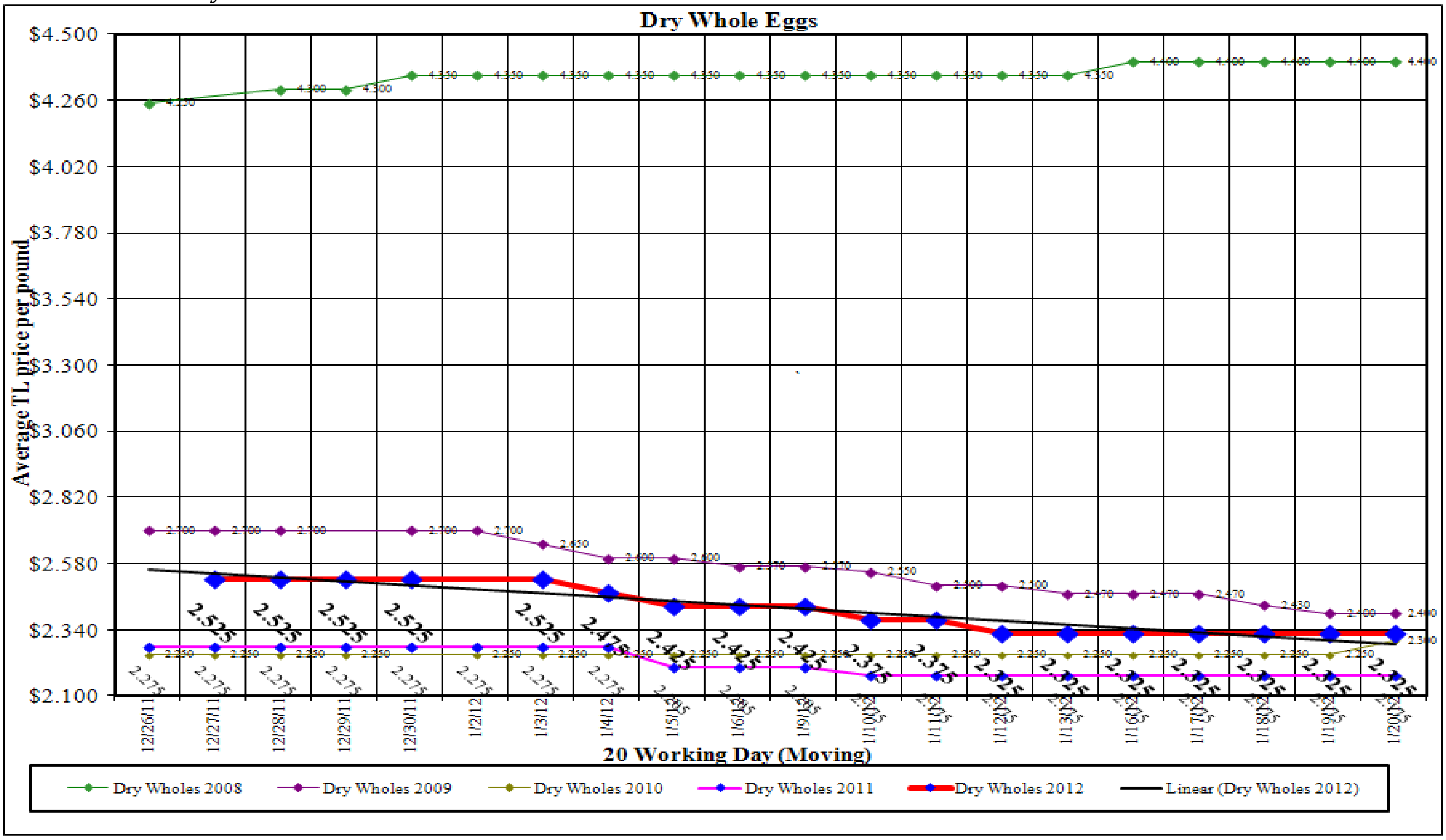
d. Liquid Wholes

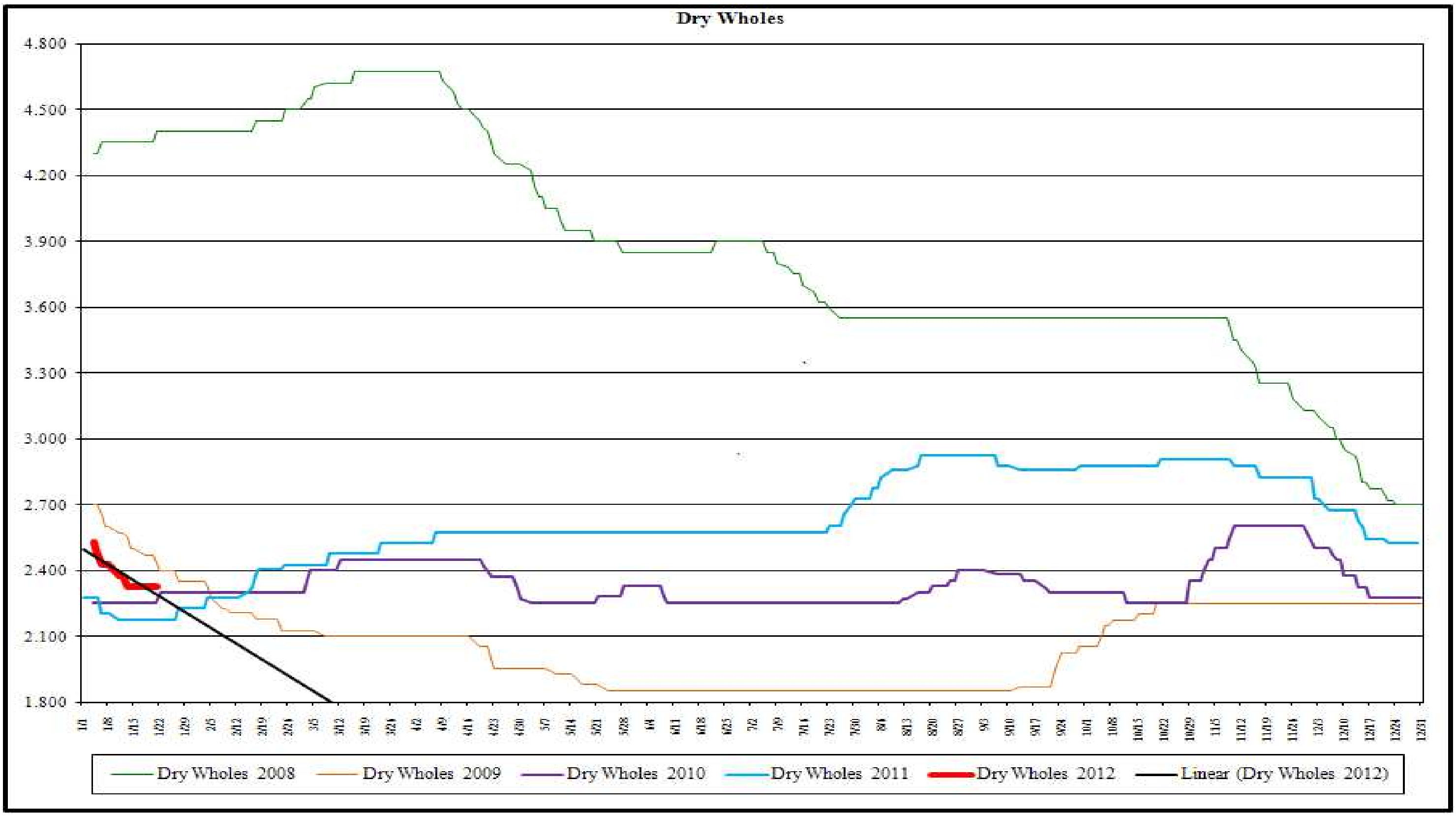




Liquid whole eggs closed down $0.01/lb. for the week (compared to last Friday's close).

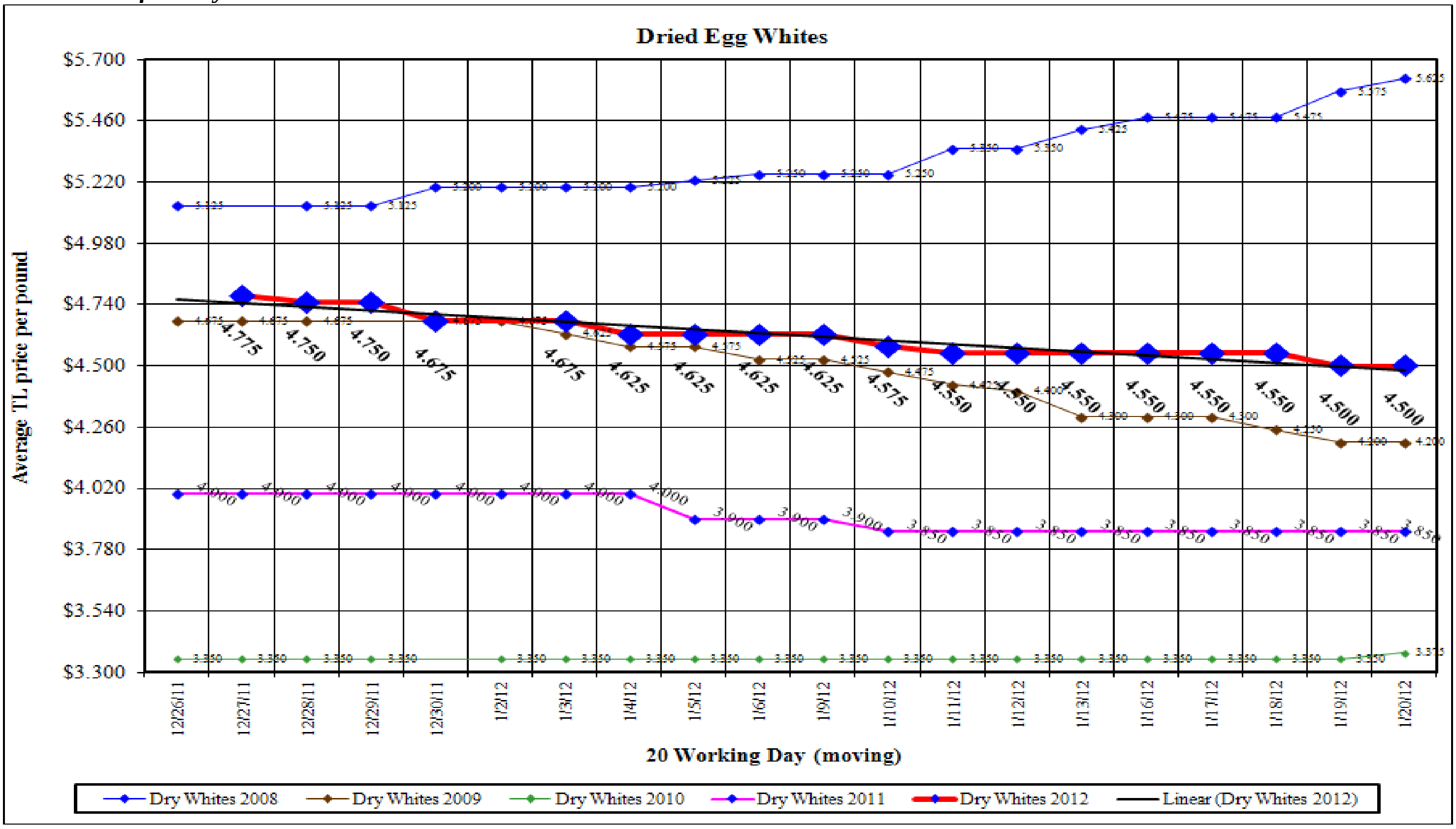
e. Dry Wholes

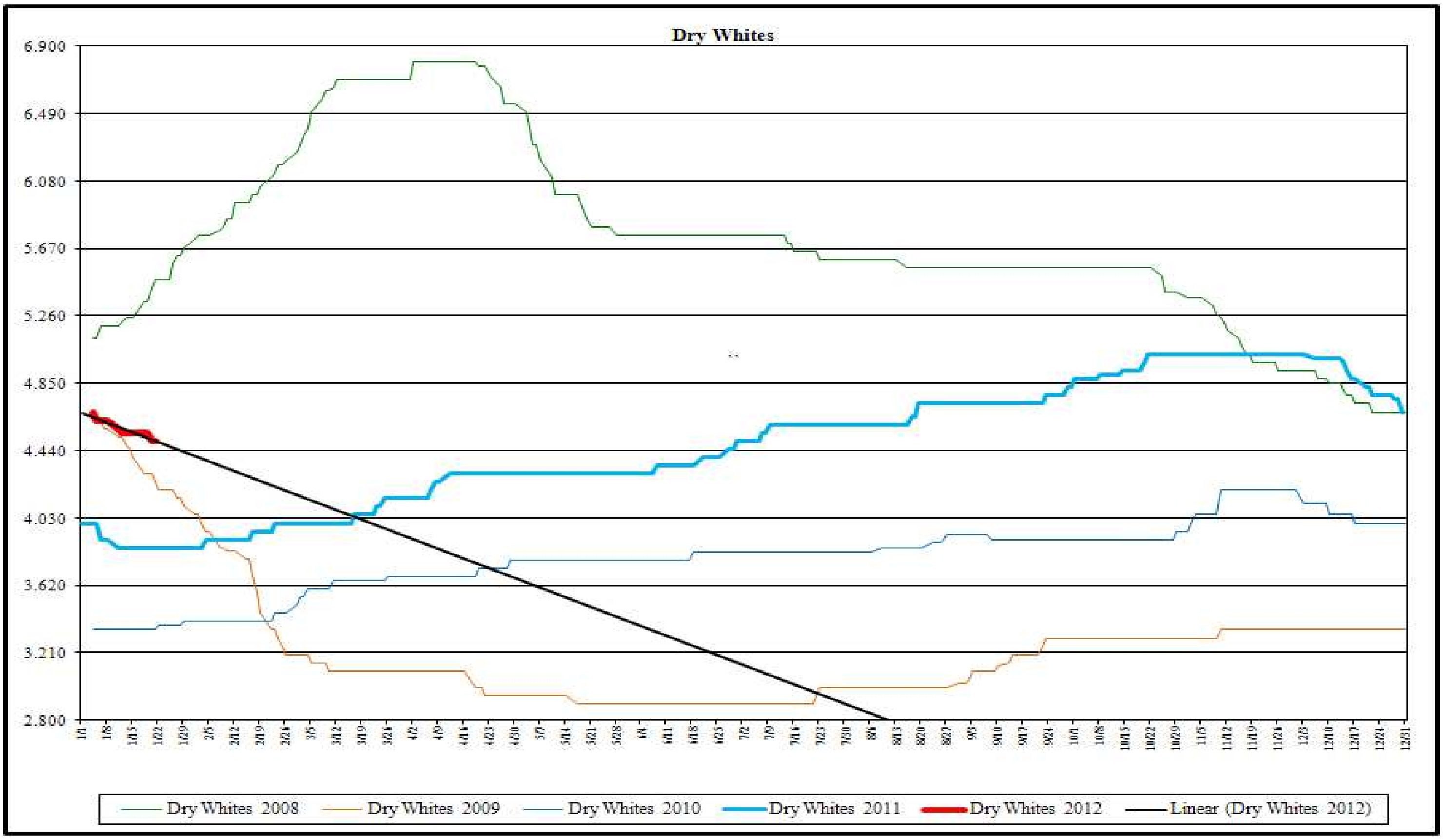




Dried Whole Eggs closed "no change" for the week (compared to last Friday's close).

f. Dry Whites





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

Corn
Corn futures are trading higher on support from export business. Private exporters announced the sale of 120,000 MT of corn to Egypt. South Korea is seeking up to 110,000 MT of corn for feed production for March/April delivery.

The corn market also traded higher on extreme tightness that is developing in the cash market in response to a lack of farmer selling and on the improvement in U.S. corn export demand. Positive margins in the livestock and ethanol sector are contributing to consumer buying on the recent break.

Corn futures did feel some pressure to move lower on improving Argentine weather. Scattered showers are falling in the main corn areas of Argentina and more rain is in the forecast for Sunday in the north. The 6 to 14 day forecast is calling for below normal precipitation from January 23-31 which could stress the corn if precipitation amounts this weekend are not substantial. The weaker dollar along with lower corn prices could stimulate some foreign business.

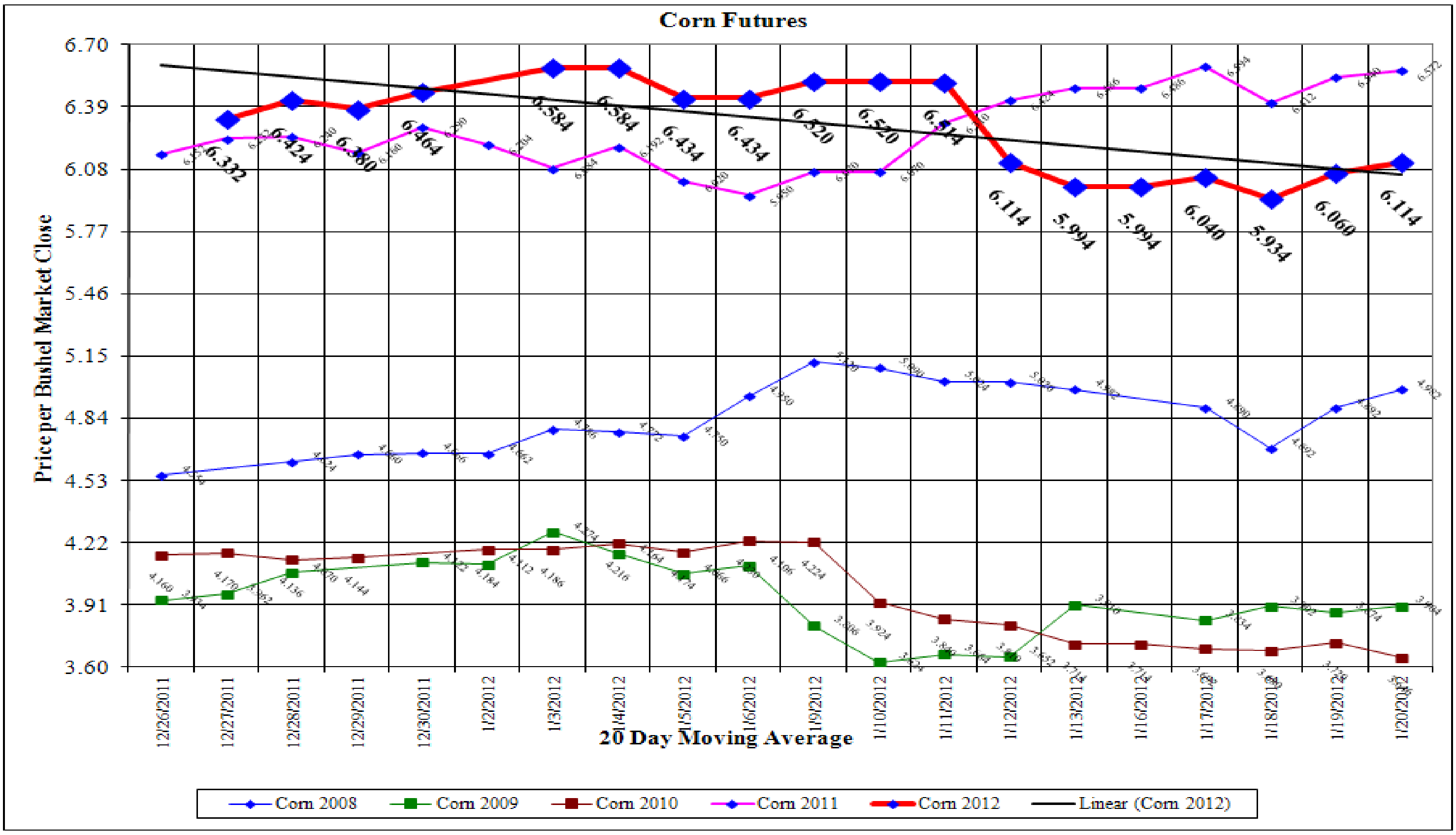
U.S. ethanol production continues quite strong despite tight margins. U.S. ethanol production for the week ending 1/13 was impressive, decreasing slightly to 941,000 barrels per day,(the sixth highest ever) down from 944,000 barrels per day last week. That was the second weekly decline after production hit a record high of 963,000 bpd for the week ending December 30. Meanwhile, ethanol inventories rose 4.1% on the week to 19.54 million barrels, a 7-month high. Stocks of ethanol are building up seasonally, pressuring the price. Large carries in the ethanol market are encouraging ethanol to be put into storage. Corn prices near current levels will stimulate an ethanol production pace that clearly exceeds U.S.D.A.'s projection for the 2011-2012 U.S. corn grind at 5000 million bushels.

The lower dollar could supply underlying support for corn. Funds are adding significantly to their corn contract positions. Corn stocks at select export elevators and terminals were up 2.76 million bushels from the previous week.

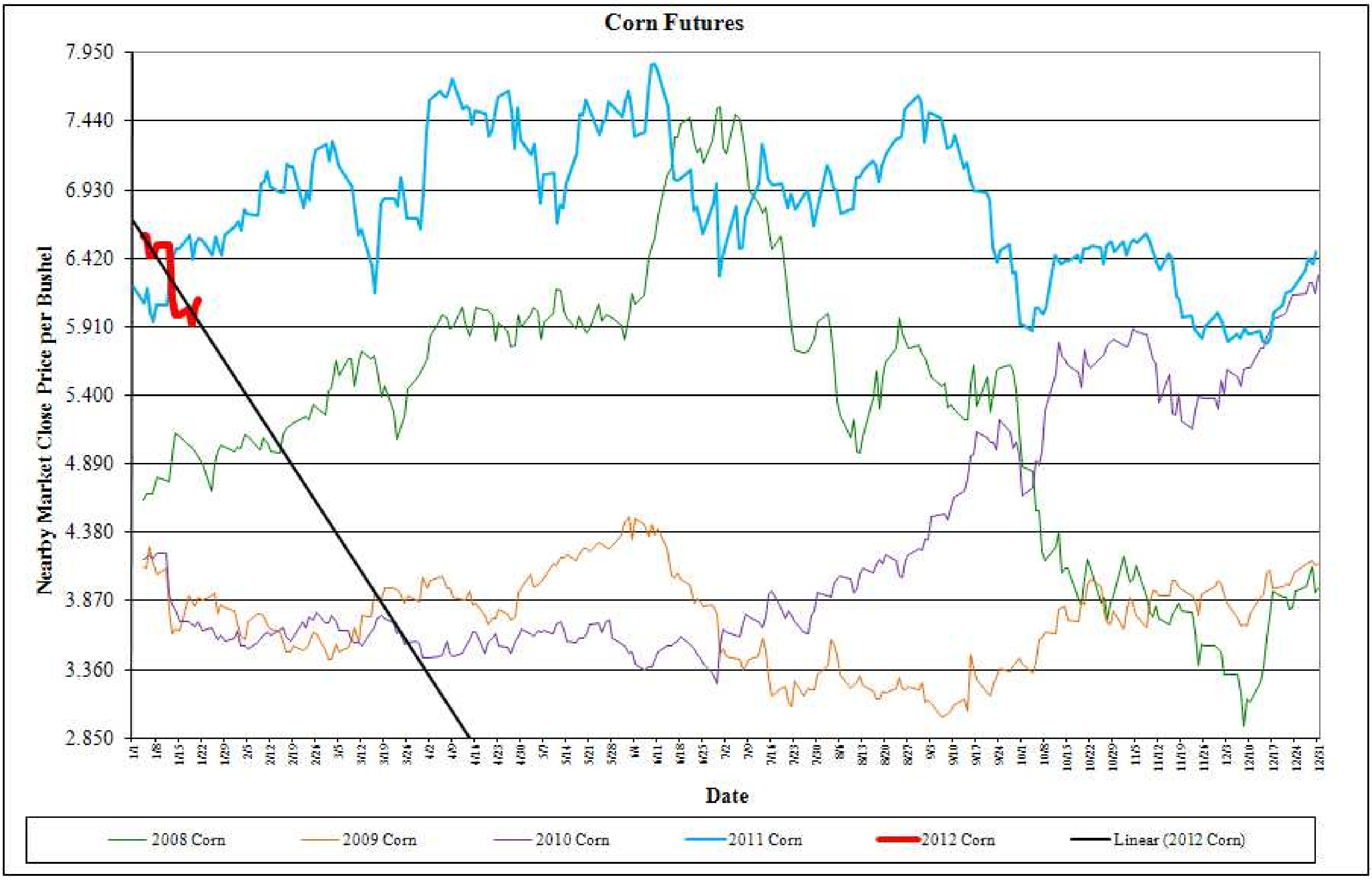
The South American corn crop size has been shrinking due to the effects of La Nina.

Support for March corn is seen at $6.10, then $6.00, with resistance at $6.80. Basis the nearby rolling CME futures contract, the estimate the 2011-2012 crop-year average is that corn prices will end up around $6.25/bushel, with a low/high range of $4.75-$7.75. Improved U.S. corn demand and tightness in nearby cash markets should put good support under March corn futures at $5.90-5.95 and the market could see additional strength in upcoming weeks. Keep in mind that the old crop U.S. corn supply situation is tighter than last year as December 1 corn stocks were 415 million bushels lower than last year's level.

Corn futures closed up $0.12/bushel for the week (versus last Friday's close).



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



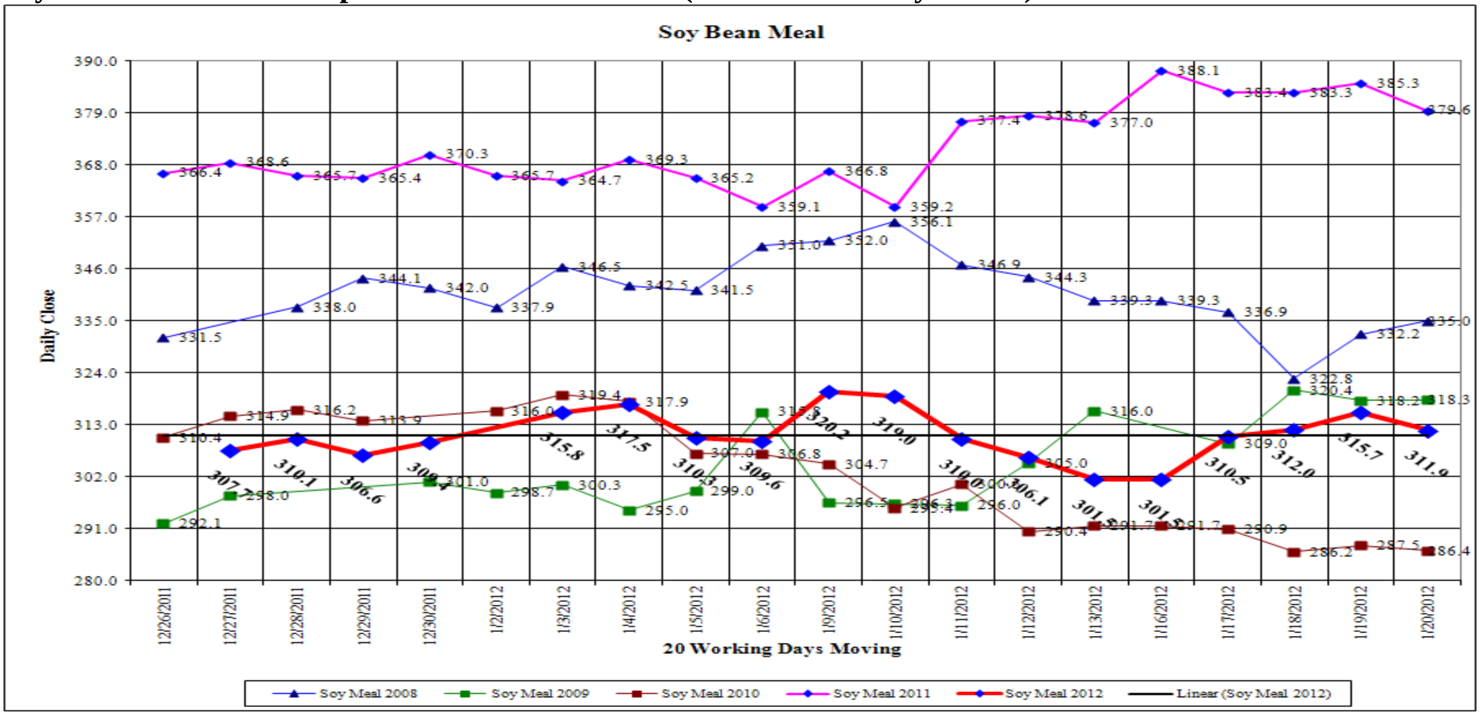
Corn Futures
Nearby Market Close Price per Bushel
Date
2008 Corn
2009 Corn
2010 Corn
2011 Corn
2012 Corn
Linear (2012 Corn)

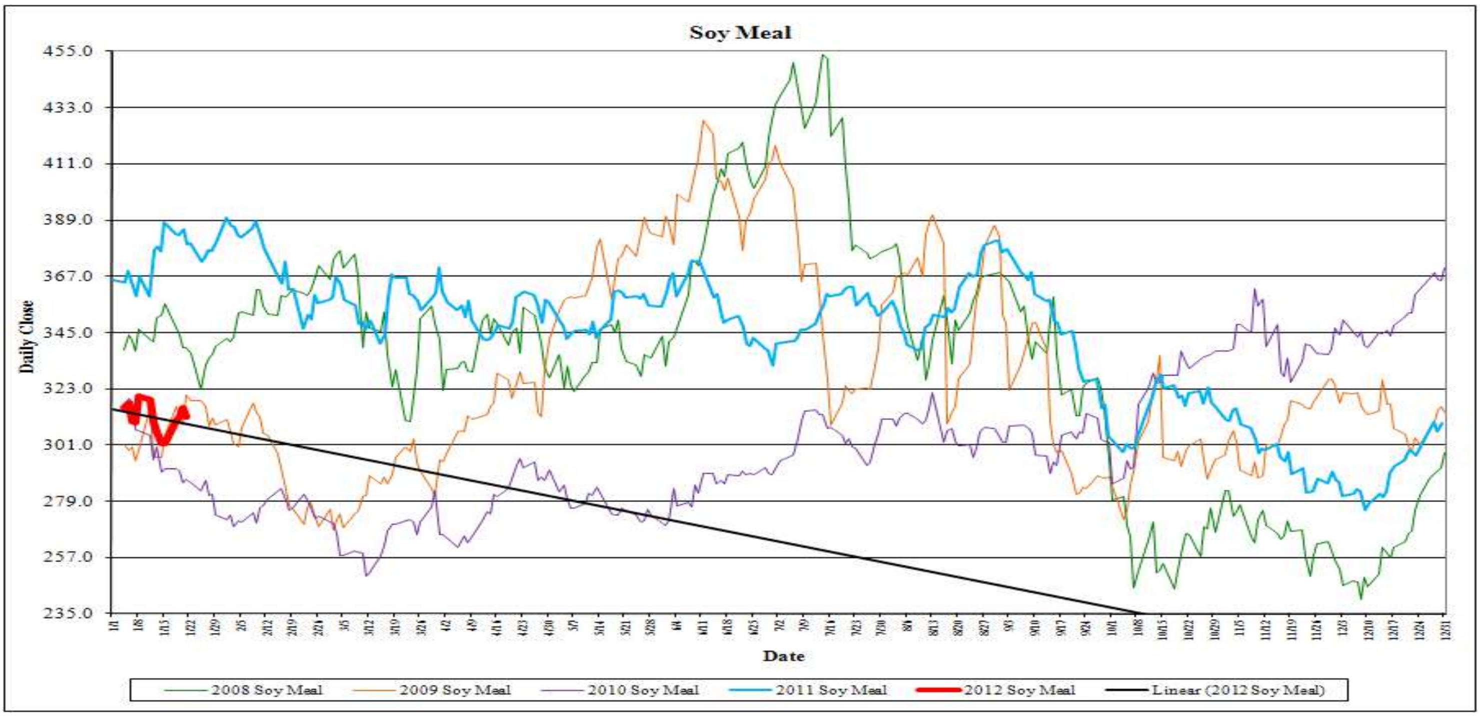
Soy Meal

This week's meal market put in firm performance as prices closed at higher levels along with strength in beans. Major supportive inputs included fund buying, strength in soybeans/corn/wheat and weakness in the U.S. dollar. In addition the market was supported by increased talk of a slowdown in the U.S. crush (may tighten supplies of meal), strength in the Chinese markets and concerns that funds have large short positions. Major negative inputs included commercial selling, limited consumer buying with prices at higher levels and traders who bought oil/sold meal.

The major direction for March meal is sideways, but better resistance is beginning to build now at 312.00 that may hold off a further upside rally. Look for the market to probably go back to test 300.00. Overall trading range is from 280.00 up to 325.00.

Soy meal futures closed up $10.40/ton for the week (versus last Friday's close).

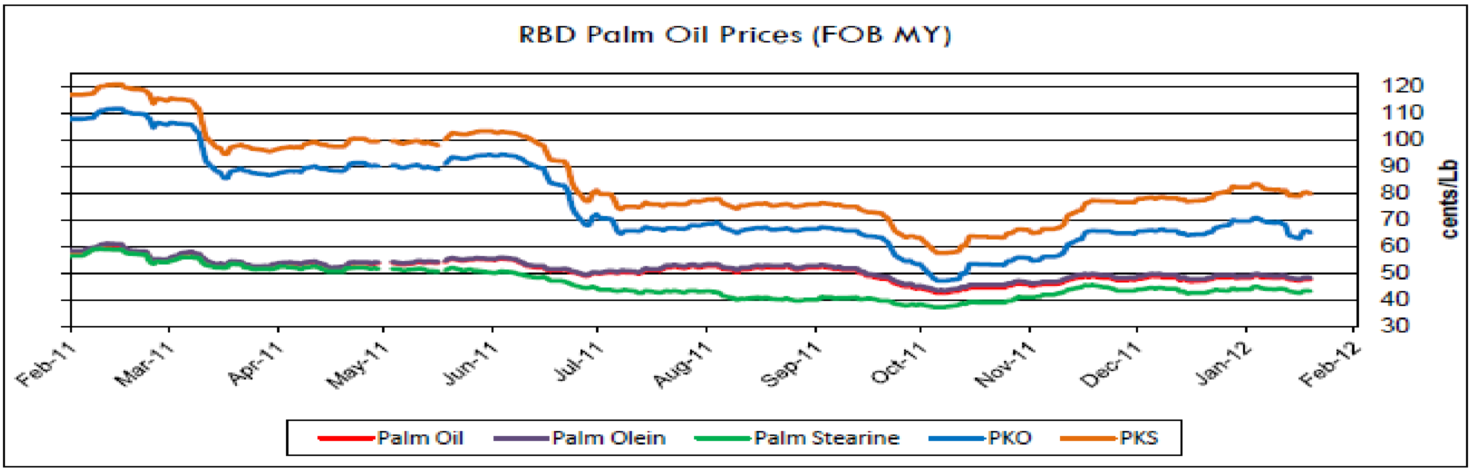




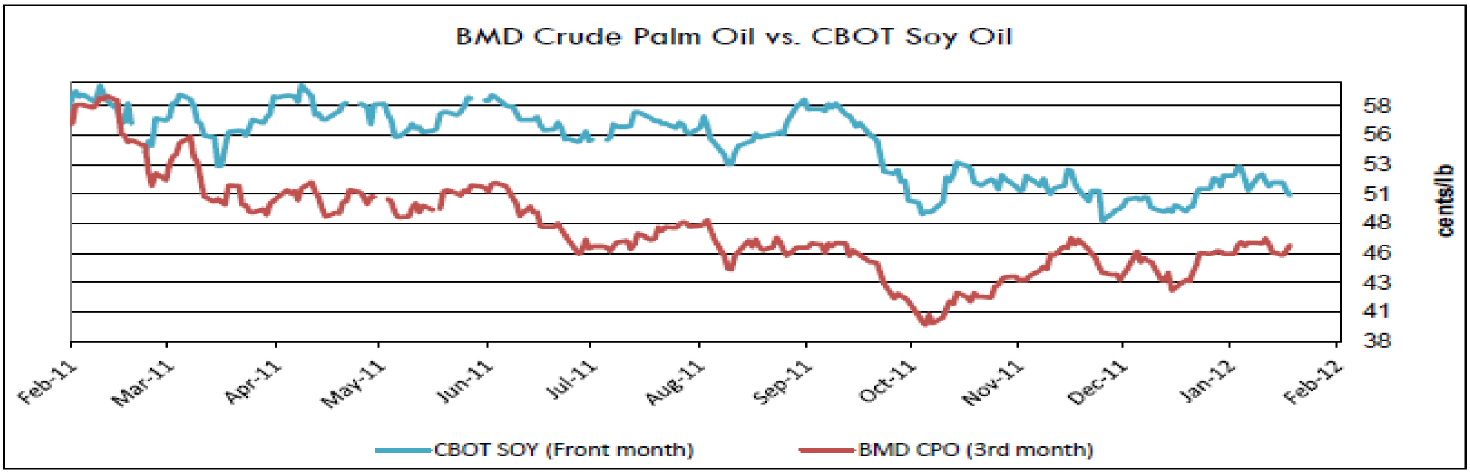
Palm Oil

Palm oil prices on Monday hit a three week low on concerns about the potential loss of European buying interest. That was reinforced by an 11% drop in Malaysian palm exports for the first half of January, although Chinese demand was reported to be good ahead of their upcoming holiday. Later in the week, Malaysian crude palm oil futures inched up as expectations that erratic weather in South America and Southeast Asia could limit edible oil supply overshadowed lingering European debt worries. Investor shifted their focus back to Europe ahead of a Portugal debt sale and as Greece resumes its debt restructuring talks. But prospects of worsening drought in Argentina and wet weather in Malaysia lifted palm oil futures. Benchmark April palm oil futures rose 16 ringgit to close at 3,180 ringgit ($1022) per ton. The Reuters technical analysis chart has been revised, saying that the bullish target at 3,244 ringgit has been aborted and a more realistic target will be 3,108 ringgit. Average palm oil prices are set to decline in 2012 for the first time in three years, squeezed by ample supply from Southeast Asia and faltering demand as global growth weakens because of Europe's debt crisis. A median poll of 25 analysts tracking top palm oil producers Indonesia and Malaysia showed 2012 price expectations for the tropical oil stood at a median 3,000 ringgit per ton, unchanged from a survey conducted in July. Estimates for 2012 ranged between 2,600 ringgit and 3,600 ringgit, with analysts divided on the impact of the euro zone debt crisis on economic growth and food demand in the world's top edible oil buyers, India and China.

Malaysian palm oil output is seen growing this year and export demand remains weak. Jan 1-20 palm oil exports are seen at 810,000 tons, or off 13% on the month. Palm oil stocks at the end of December were high, topping 2 million tons, and traders expect them to grow further this month. Malaysian palm plantations had an aggressive replanting campaign in 2008-09. The maturing trees are expected to produce more this year. A Palm Oil Board official pegged 2012 production at 19.3 million tons, up 2.3% on the year. He said monthly palm oil production in the first quarter will likely total 1 million tons and could grow to a monthly record of 2 million tons by the third and fourth quarters, assuming normal weather. Indonesian production this year is forecast to rise 6% to 25 million tons.



(Graph source: Loders Croklaan)



(Graph source: Loders Croklaan)

Energy Markets

Since the release of the IAEA's report in November on Iran's nuclear program, tension between the West and Iran has been steadily building. From the start of 2012 there has been a consistent flow of unsettling headlines involving the West and Iran and as a result, energy markets have become acutely attuned to headline risk. A timeline of recent actions taken can be summarized as follows:

- On 31 December 2011, President Obama signed the National Defense Authorization Act for Fiscal Year 2012 which included enacting sanctions targeting Iran's oil exports.
- Iran undertook 10 days of military exercises in the Strait of Hormuz which concluded in the first week of January.
- On the heels of Obama's decision, Iran sent a direct warning to the US not to allow the USS John C. Stennis to return to the Persian Gulf.
- The week of 9 January, Treasury Secretary Timothy Geithner traveled to Asia to convince China and Japan (two of Iran's major customers) to support US sanctions on Iranian oil.
- During that same week, Iran sentenced an American citizen (accused of espionage) to death and announced the near completion of the Fordo plant, a second uranium enrichment site.
- Last week, Mostafa Ahmadi-Roshnan, nuclear scientist and deputy director of one of Iran's uranium enrichment plants, was assassinated.

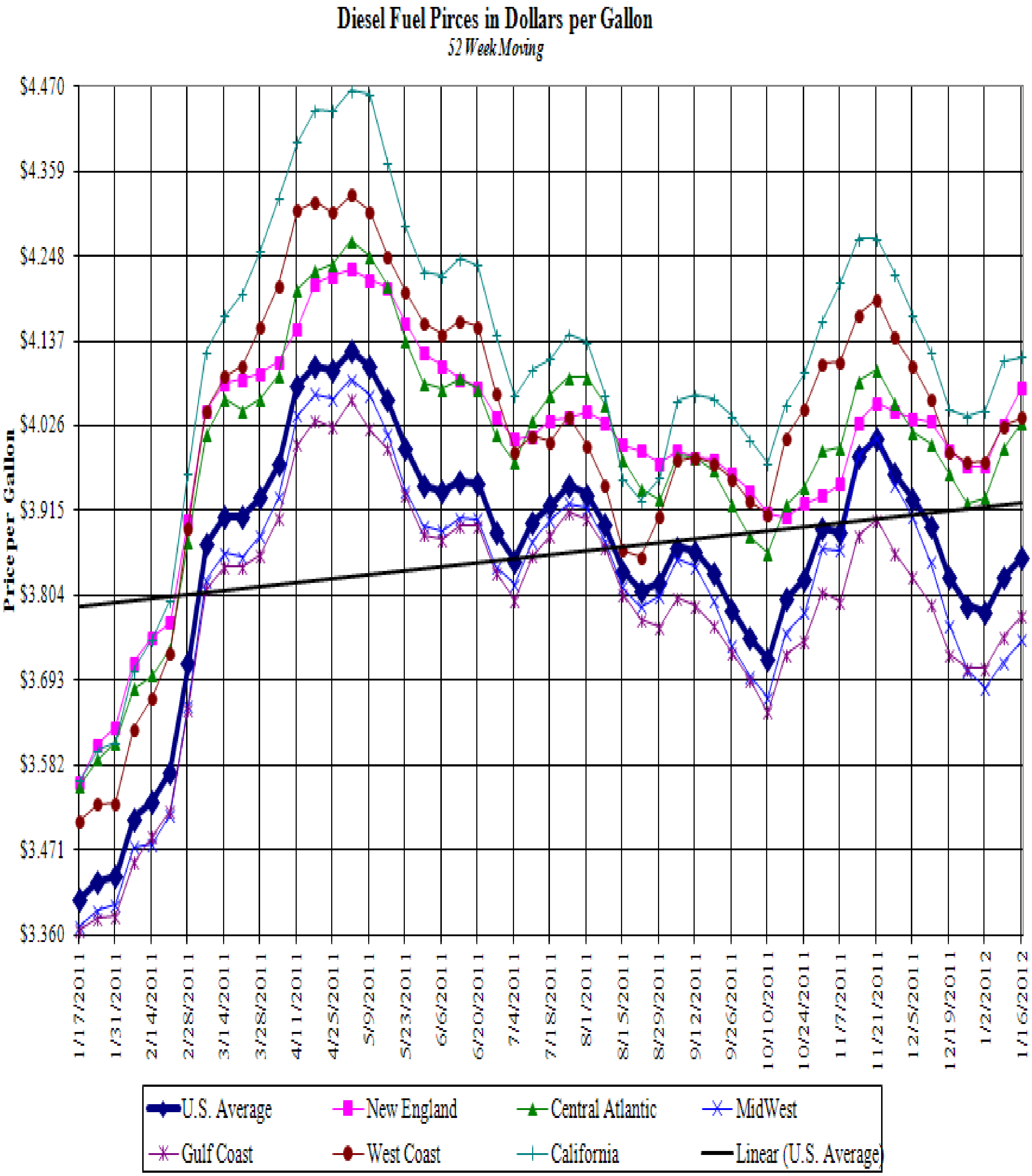
These recent events indicate that both the West and Iran are hardening their positions. The markets have witnessed similar tensions between the West and Iran in the past; however a key difference this time around is that the U.S. is trying to garner multilateral support in order to isolate Iran from the global business community. At least anecdotally, it appears U.S. sanctions are having some effect. Iran's currency, the Rial, has recently fallen 20% against the U.S. dollar and a number of major importers of Iranian oil appear poised to reduce purchases. Clearly, Iran has no intention of sitting still as events unfold around it. Iran seems focused on destabilizing the international oil markets in an attempt to dissuade the U.S. and the EU from imposing new sanctions targeting its oil exports. Iran views the West's dependence on foreign oil as its Achilles Heel – should Iran drive up oil prices, this will increase the risk of recession in the U.S. and the EU, thereby forcing the West to back down from the latest implementation of sanctions.

In all likelihood prices will stay elevated due to continued risk. Near-term trading ranges should track $95/$105 for WTI and $110/$120 for Brent due to increasing geopolitical risk. The assassination of the Iranian nuclear scientist underscores the intensity and complexity of the Western-Iranian conflict. As Iran continues to conceal and move its nuclear efforts underground the potential window for an effective military strike by either the U.S. or Israel is closing.

The next scheduled event relating to the sanctions against Iran will come from the European Union, whose ministers are scheduled to meet on January 23rd. The EU represents 1/5th of Iran's oil exports and sanctions from this customer could deal a significant blow to the Islamic Republic's economy. Tensions appear to be escalating faster than expected and pricing action in the global energy markets will be highly volatile over the coming weeks.

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
1/17/2011	$3.4070	$3.4480	$3.5600	$3.5560	$3.3920	$3.3710	$3.3660	$3.3740	$3.5090	$3.5620
1/24/2011	$3.4300	$3.4800	$3.6090	$3.5900	$3.4210	$3.3920	$3.3820	$3.3880	$3.5310	$3.6020
1/31/2011	$3.4380	$3.4940	$3.6330	$3.6110	$3.4320	$3.3990	$3.3840	$3.3960	$3.5330	$3.6120
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



Diesel Fuel Pirces in Dollars per Gallon
52 Week Moving
Price per Gallon
$4.470
$4.359
$4.248
$4.137
$4.026
$3.915
$3.804
$3.693
$3.582
$3.471
$3.360
1/17/2011
1/31/2011
2/14/2011
2/28/2011
3/14/2011
3/28/2011
4/11/2011
4/25/2011
5/9/2011
5/23/2011
6/6/2011
6/20/2011
7/4/2011
7/18/2011
8/1/2011
8/15/2011
8/29/2011
9/12/2011
9/26/2011
10/10/2011
10/24/2011
11/7/2011
11/21/2011
12/5/2011
12/19/2011
1/2/2012
1/16/2012
U.S. Average
New England
Central Atlantic
MidWest
Gulf Coast
West Coast
California
Linear (U.S. Average)

Fruits/Nut Markets

***Cherries*—US (WA): 2011 bumper year for cherries**
Growers in Washington and the Northwest United States produced the second largest cherry crop ever recorded in 2011. 18.3 million boxes of cherries were produced, second only to the result in 2009, which saw the production of 20 million boxes. The President of the Washington State Fruit Commission suggested that the crop was part of an upward trend in recent years. It is thought that the cool spring weather was responsible for extending the harvest season well into August. In line with increased production is increasing demand from so called BRIC countries such as China and Brazil where a growing middle class is creating interest in such crops.

***Strawberries*—US (CA): Strawberry growers left out in the cold**
The effects of cold weather are taking a toll on strawberry growers in California. It looks as though the strawberry crop on the Central Coast may fall victim to the cold snap. Like the citrus growers, strawberry producers have had to resort to sprinkling their crops at night to try and prevent the flowers and fruit from being frozen and destroyed. Growers say they won't know how much damage is being caused right now until it comes to harvest time in February. A major concern is competition from further south in the state where the weather is much more favorable currently and stocks will remain undamaged. Of the state's 37,336 acres of strawberry fields, 9,630 are in the affected area.

***California Fruit Crops*—US (CA): Cold snap threatens early fruit**
A particularly bitter cold spell in parts of California is a source of concern for fruit producers. Not only is the cold snap destroying ripening fruit, but, as a result of an exceptionally dry winter, the trees themselves are at risk as they lack the moisture to be able to resist the weather. Compounding the situation is the fact that water allocation is very low currently.

***Pecans*—USA: High prices for pecans this year**
There have been delays in harvesting for pecan growers at the Green Valley Pecan Company. The rainy weather has being holding up the process and the harvest itself is smaller than usual. Cold weather is to blame for the size of the harvest. Prices are expected to be at an all time high due to the poor, slow harvest and also because of rising demand for pecans in Asia, particularly China.

***Almonds*—US (CA): Raw almonds must be pasteurized judge rules**
A judge has upheld the decision of the U.S. Department of Agriculture (U.S.D.A.) to insist on the pasteurization of raw almonds. This has resulted from a series of health alerts over the years. For example, back in 2004 almonds were responsible for a salmonella outbreak affecting both the U.S. and Canada, but emanating from California. The almonds were all recalled - a total of 13 million pounds. This followed a previous outbreak in 2000 that, again, had caused illness across the States and Canada.

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