Weekly Commodity Markets Review

From: Joe Schmidt Date: March 30, 2012

This morning, U.S.D.A. released their latest stocks and production estimates: Key items are that U.S. corn acreage was estimated higher than expected. Other numbers came in bullish—soybean/wheat acreage lower than expected, (especially spring wheat); U.S. corn stocks came in 141 million below guesses, beans 15 million below, wheat 22 million below.

Global economic outlook is a tug-of-war for trader psychology as U.S. economic indicators are consistently better-than-expected, while indicators for China are consistently somber. The outlook for Europe is the "tipping point" one way or the other for the global economy as a whole and that varies day-to-day, depending on which new report is out.

Comments by Federal Reserve Chairman Ben Bernanke on rising gasoline prices and possible implications with the U.S. recovery sent a wave of broad based selling to the market. The Fed's zero-interest pledge through 2014 is in question now that the U.S. recovery is proving more evident than expected. And with rates near zero, the only "surprise" possible is for rates to climb and the element of "surprise" is again a factor.

Flour Markets:

Wheat futures were rallied on Friday following the U.S.D.A. report. Basis levels on winter wheat were unchanged with spring wheat levels rising higher. As of March 25th, North Dakota has estimated that 1% of the spring wheat acres are planted, which is more than a month ahead of the average. Last year at this time there was still a foot of snow on the ground! Winter wheat has seen great progress this week with enough moisture and mild temperatures. U.S. wheat exports on the week ending March 22nd were down 47% from the prior four week average.

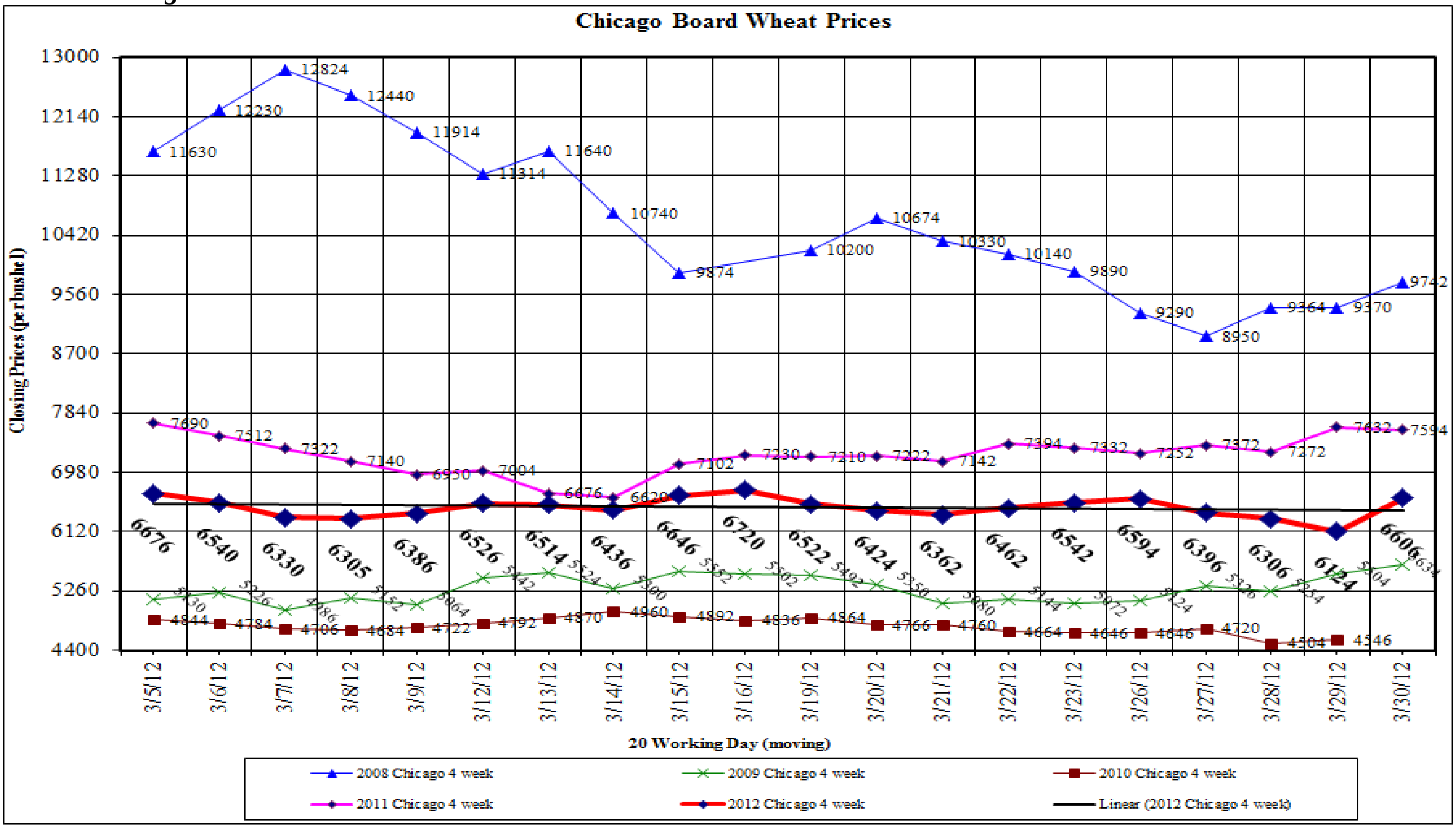
In their report this morning, U.S.D.A. has pegged 2012 U.S. all-wheat plantings at 55.908 million acres. Their estimate was 1.514 million below trade guesses and 103% of last season's 45.715 million. U.S.D.A. has pegged 2012 U.S. other spring wheat plantings at 11.976 million acres. This estimate was 1.337 million below trade guesses and 97% of last year's 12.394 million. U.S.D.A. has pegged 2012 U.S. durum plantings at 2.223 million acres, in line with trade guesses, and 162% of last season's 1.369 million. U.S.D.A. has pegged U.S. wheat stocks on March 1 at 1.201 billion bushels. This was 22 million below trade guesses and compared with 1.425 million a year ago. December-February indicated disappearance came in at 462 million bushels, off 9% from the same period last year. On-farm U.S. wheat stocks on March 1 totaled 217.4 million bushels versus 288 million last year. Off-farm U.S. wheat stocks on March 1 totaled 983.3 million bushels versus 1.137 billion last year. Based on this morning's report, upside price targets basis November and December contracts for CME wheat looks to be $6.95, then $7.40.

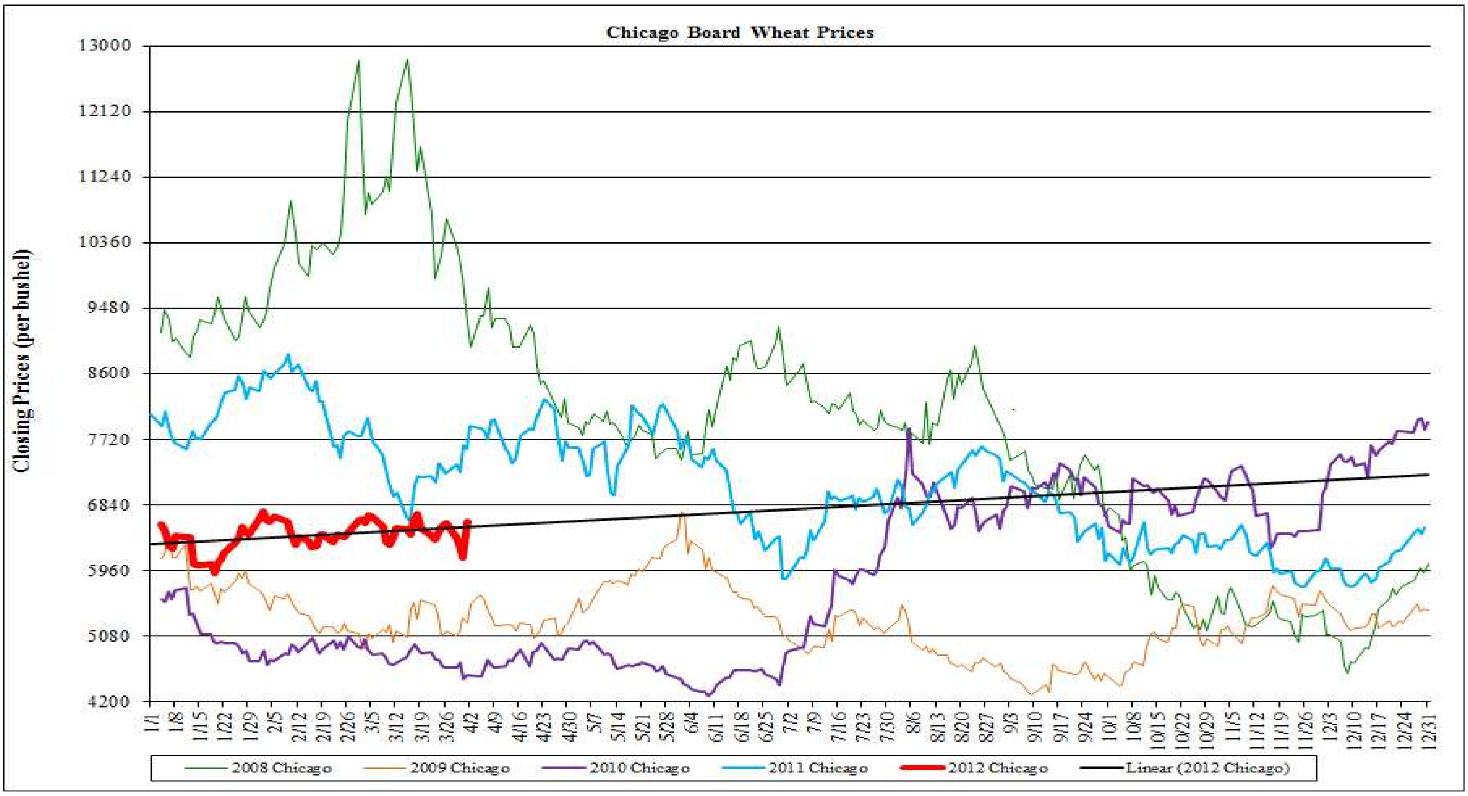
Minneapolis, KC and Chicago had large ranges settling but settled higher for the week. Never the less, wheat are still in their respective large trading ranges dating back to the middle of November for Minneapolis, KC since the beginning of January and Chicago last October. The range for Minneapolis has been mainly between 780 and 840 with resistance above 840 and most of its support between 800 and 820. However, it has already traded well below that area. Meanwhile, KC has support under 690 and resistance over 740 but really needs to hold the 670 area at this time while trading mainly between 800 and 850 off the weekly charts dating back to late November. Chicago's trading range has been between 600 and 700 with strong resistance from 675 to 700—and.support from 625 down to the 600 area. However, a close below 625 is going to be difficult given current conditions. Right now, a reasonable buying strategy is to buy at the lower end and sell at the upper end of the above mentioned ranges unless you want to run the risk of getting chopped up. Don't forget of the possibility that the world wheat crop could be a record and that China bought wheat from South America instead of the USA recently.

U.S. winter wheat conditions in Kansas improved 5 points to 59% good/excellent versus 31% last year, Oklahoma improved 5 points to 75% versus 21% last year and Texas improved 5 points to 39% versus 11% good last year. Colorado conditions declined 8 points to 36% good/excellent but are well above last year's 13%. Nebraska winter wheat conditions were 71% good/excellent versus 40% last year and IL 78% versus 48% last year.

Cold weather returns to HRW wheat country early next week. Canada will be chilly April 1-10. Concern continues to growing over wheat prospects in Europe, particularly Spain, Portugal and Southern France now that the crop is just out of dormancy and already showing signs of moisture stress from the long-standing dry pattern. Europe will see light rains in the west, but confidence in widespread relief is low.

a. Chicago Board Wheat Prices

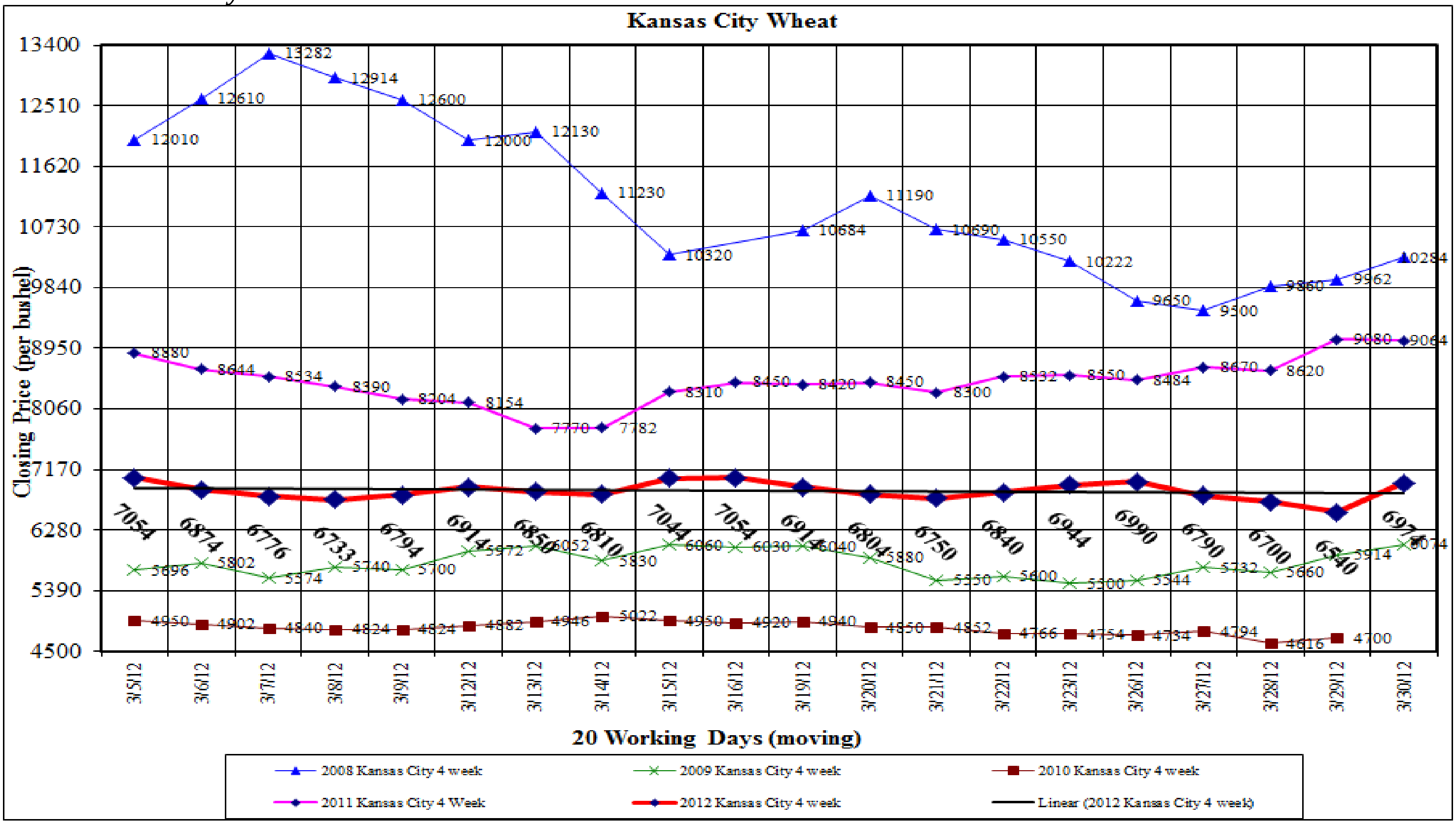


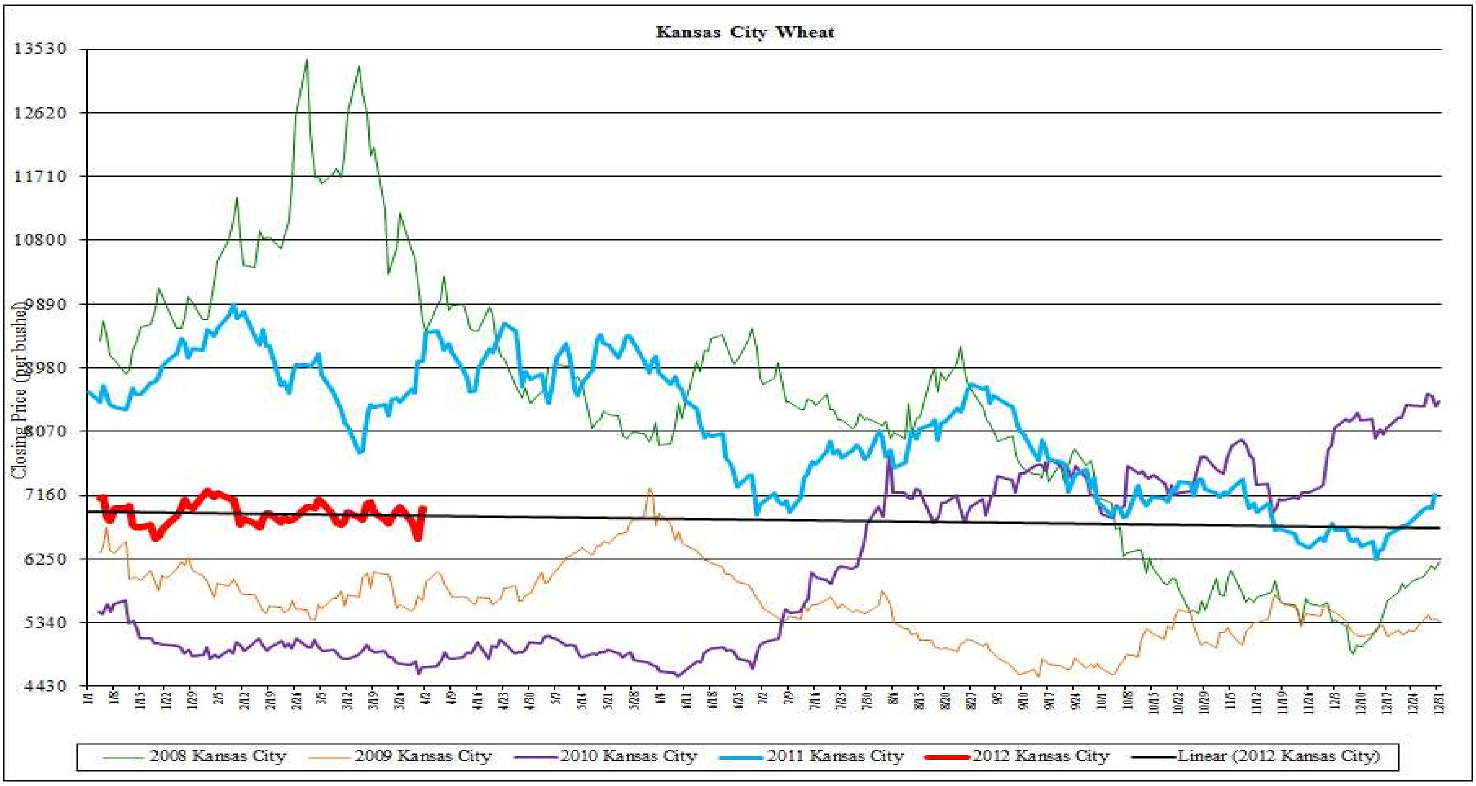


The Chicago Board chart above shows the price activity for the last 20 working days (one full period). Flour made from the wheat traded on this board includes **CAKE AND PASTRY** flours.

Cake and Pastry flour closed up $0.15/cwt. from last Friday's close.

b. Kansas City Board Wheat Prices

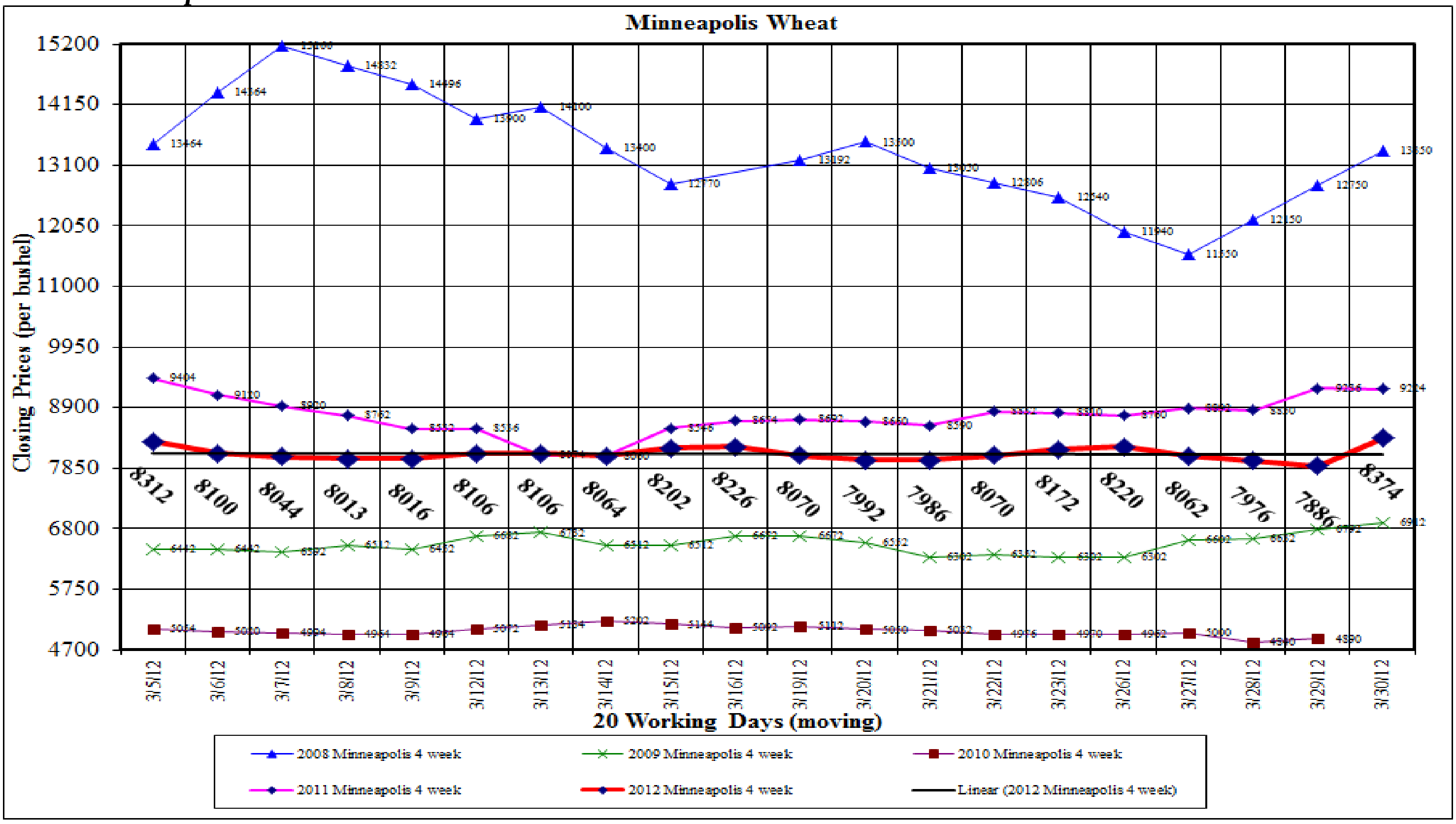


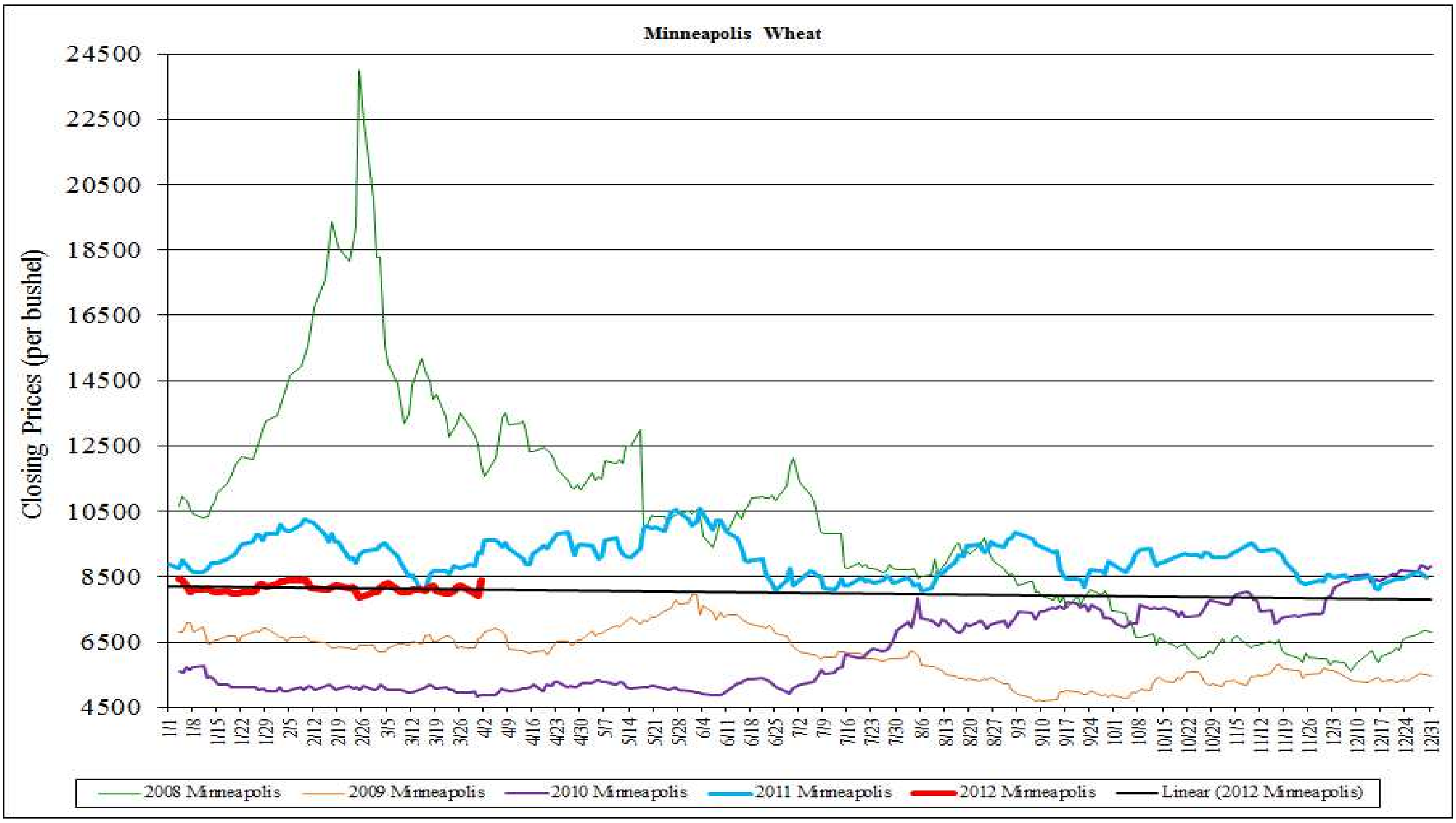


Kansas City Wheat is used to make **Hard Red Winter Patent flours (white pan bread) and H&R flours.**

Hard Red Winter wheat flour closed up $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 up $0.46/cwt. off last Friday's close.

Shortening Market:
In this morning's report, U.S.D.A. pegged 2012 U.S. soybean plantings at 73.902 million acres. Their estimate was 1.491 million below trade guesses and 99% of last season's 75.000 million. U.S.D.A. said that versus last year, plantings were "unchanged" to "lower" in the corn belt and Plains, except for IL, ND, SD and WI. U.S.D.A. has pegged U.S. March 1 soybean stocks at 1.372 billion bushels. This was 15 million below trade guesses and compared with March 1 stocks last year of 1.249 billion. December-February indicated disappearance totaled 998 million bushels, off 3% from the same period a year ago. On-farm U.S. soybean stocks on March 1 totaled 555 million bushels versus 505 million last year. Off-farm U.S. soybean stocks on March 1 totaled 817.3 million versus 743.8 last year.

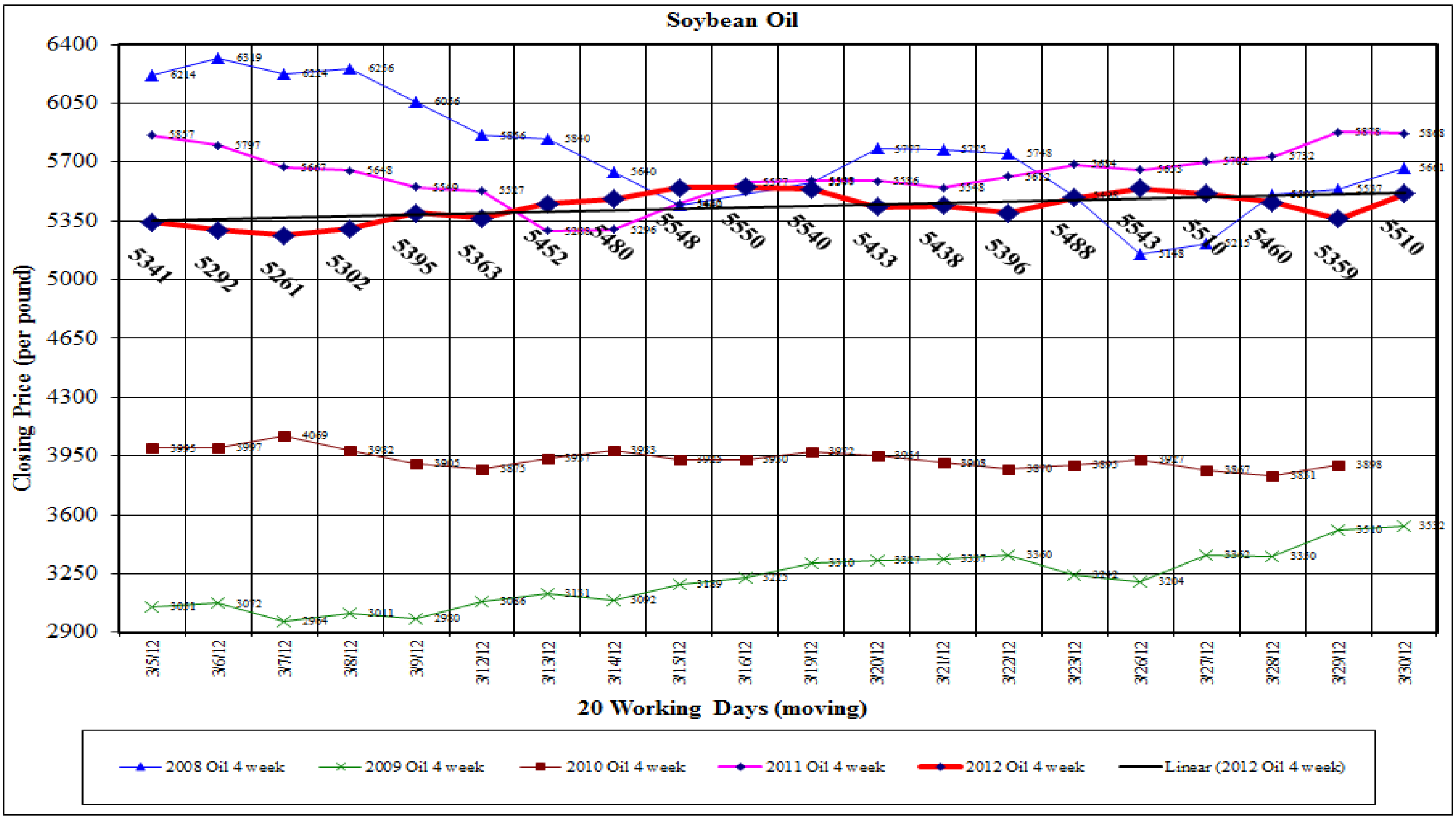
The 2012/2013 bean carryout was already expected to be critically tight so this is only going to add to the bullish frenzy. Most analysts were counting on at least 76.0 million acres to get to a 125 million bushel carryout so with 2 million less acres that takes 85 million bushels out of the carryout. With 2.1 million less acres, we're looking at a projected carryout of roughly 40 mil bushels and that's not physically possible due to pipeline requirements. Since a 40 million bushel carryout is not possible were going to need to see some significant price rationing—or if price rises quickly enough, we could see acres being pulled from corn and cotton. The U.S.D.A. also used less total acres between corn, beans and wheat than what the trade expected so we may see some of those acres moving to soy if the price rallies sharply. Long-term futures prices in the soybean complex will have upward bias after today's reports.

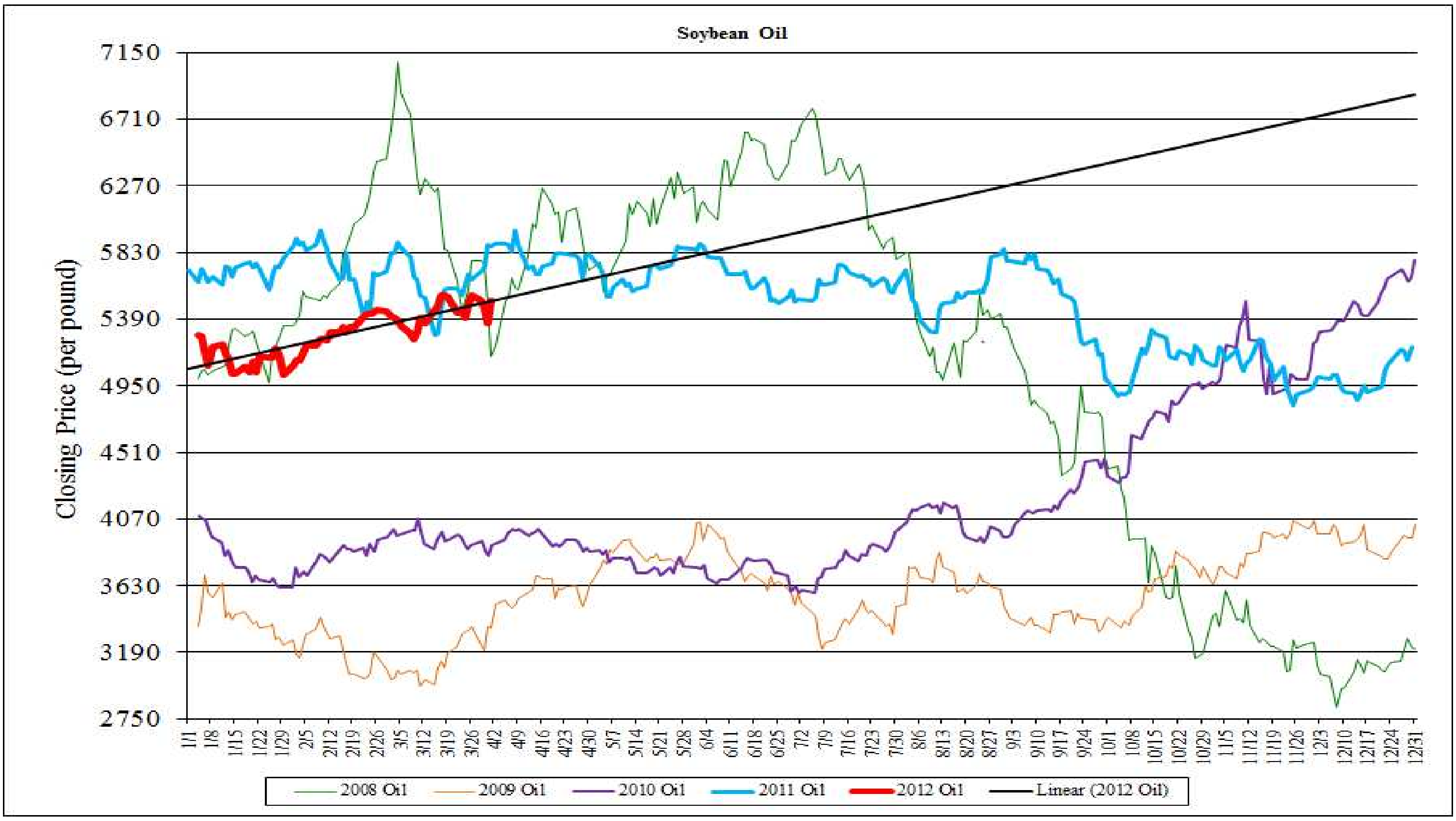
Brazil's soybean harvest and sales speeding forward. Through Friday, Brazil's total soybean harvest was 68% complete, well ahead of last year's 56% and the 5-year average of 49%. Mato Grosso's harvest was nearing completion at 98% versus 83% last year. The Goias harvest at 93% compared with 70% last year, Parana 80% versus 70% but Rio Grande do Sul lagged at 17% versus 25%. Celeres said Brazilian farmers have sold 65% of their crop versus 58% last year versus the 5-year average of 50%. Mato Grosso sales were 86% done, Goias 65%, Parana 52% and RGDS 34%.

Even with South American harvest past the half-way point, private and government estimates for the soybean crop are still declining, keeping soybean futures firm. Continued reductions in South American crops has continued to add fire to the supply issue on the oilseed side - this has been exacerbated by the concerns about palm production as well. Recent estimates have Brazil around 66.5mmt and under 47 mmt for Argentina; so any fear that U.S. will not get soybean acres is adding to the rally in soybeans. Good spring weather usually favors increased corn acres at the expense of soy so the bean/corn ratio is doing everything it can to buy soy acres back. The trade feels beans need a minimum of 76.0 million acres and probably more than 78.0 million in order to avoid price rationing in the 2012/2013 crop year and give the present situation that doesn't appear likely to happen.

Oil has strong support under $0.53/lb. Trend lines indicate soy oil will trade at or near $0.55 through the summer.

Shortening closed up $0.12/50# cube ($0.08/35# pail of oil, $0.0024/lb. for bulk oil) for the week.

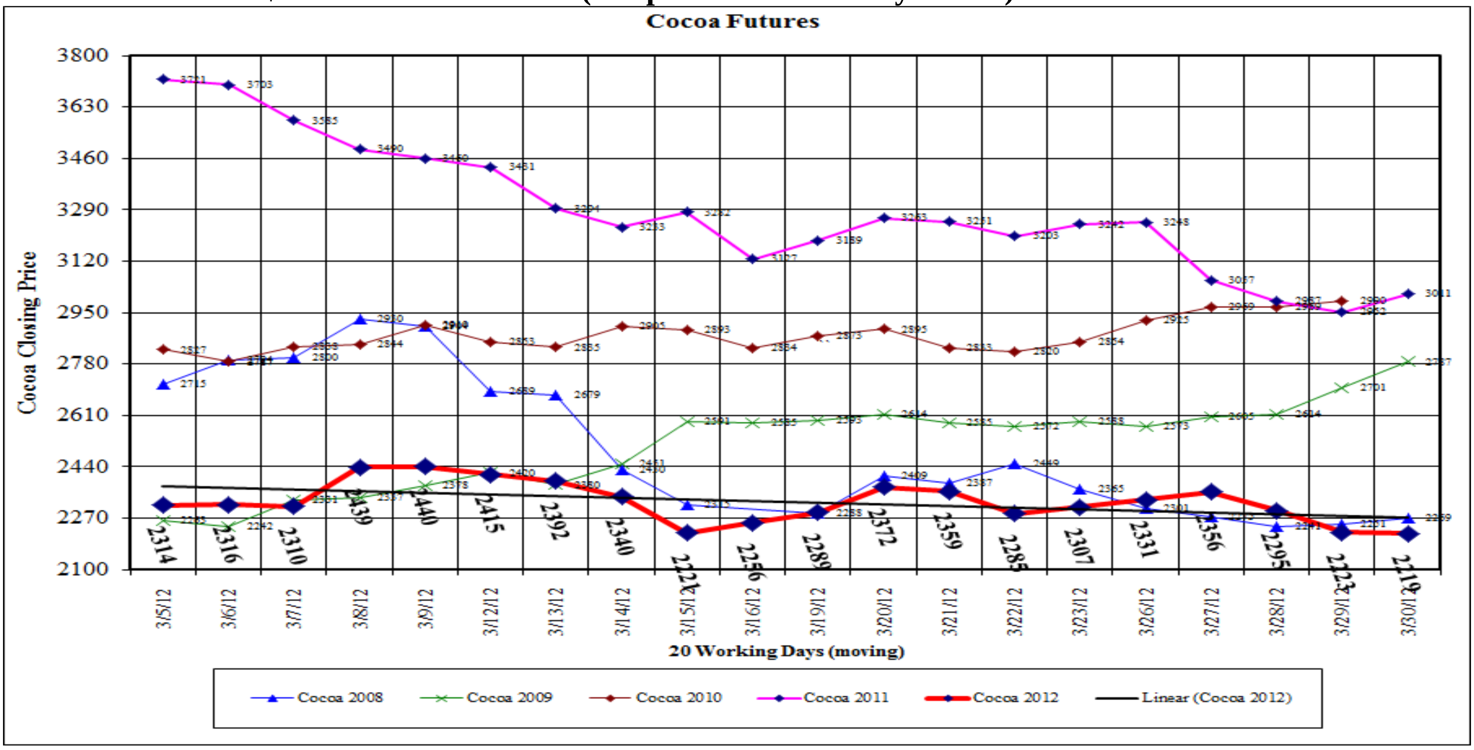

Soybean Oil
Closing Price (per pound)
20 Working Days (moving)
2008 Oil 4 week
2009 Oil 4 week
2010 Oil 4 week
2011 Oil 4 week
2012 Oil 4 week
Linear (2012 Oil 4 week)

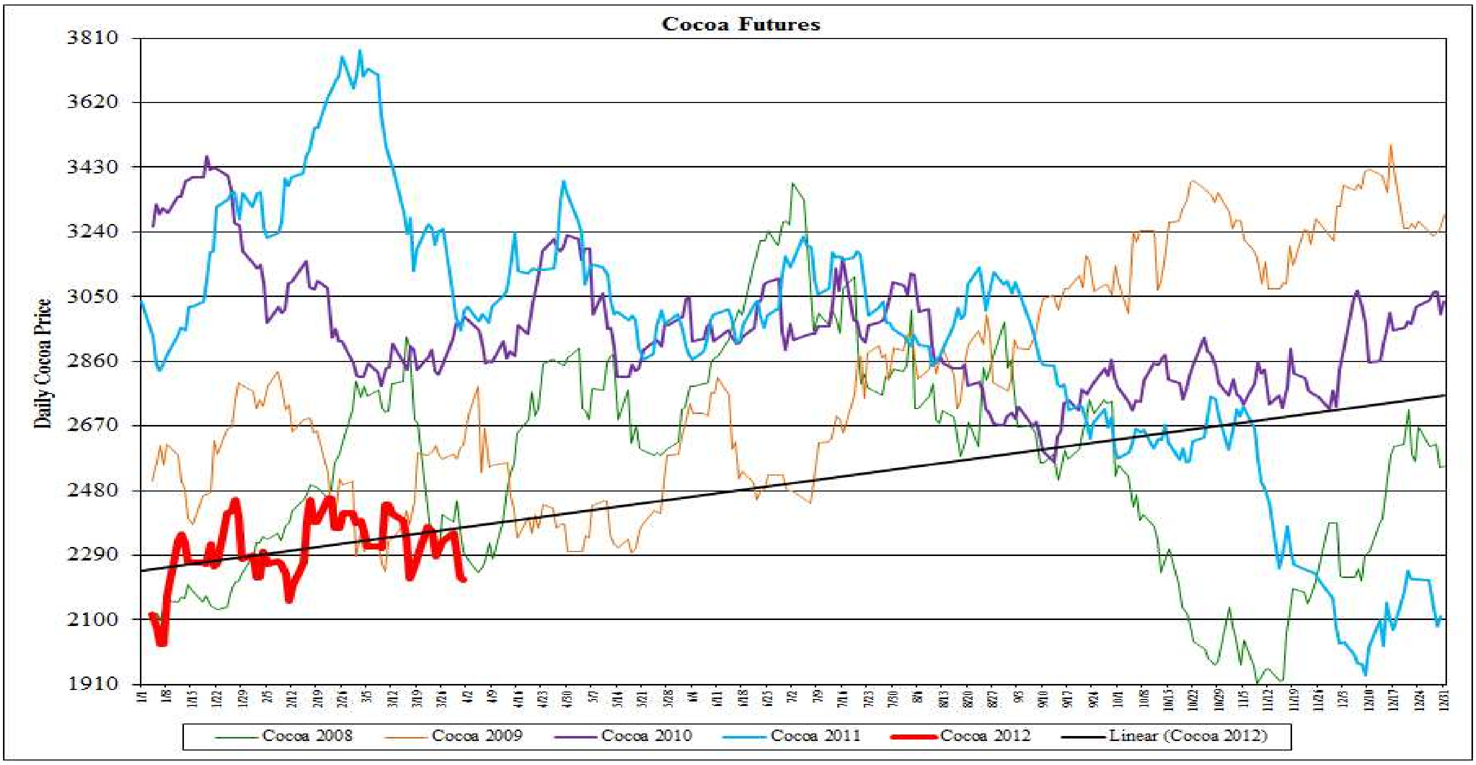

Soybean Oil
Closing Price (per pound)
2008 Oil
2009 Oil
2010 Oil
2011 Oil
2012 Oil
Linear (2012 Oil)

Cocoa Market:

The key "outside markets" were bearish for the cocoa market this week, with the U.S. dollar index and crude oil prices were sharply lower. Talk that the midcrop harvest had started in parts of West Africa caused selling. Nigeria is harvesting now. Futures have moved higher recently on reports of hot and dry weather that could stress trees. Rain is forecast for southern costal Nigeria now, and overall weather does not seem too bad. Rain would still be beneficial, but right now the harvest means that what is done is mostly done now. Traders note that western Africa crops seem to be available. Ivory Coast is one spot to buy cocoa as sources in Nigeria and Cameroon told wire services that they expect a good mid-crop production to be harvested and available very soon.

Cocoa closed down $88.00/ton for the week (compared to last Friday's close).





Sugar Market

Futures closed lower on follow through selling and in response to a private estimate that Brazil could produce more Sugar than last year. Futures had rallied sharply recently on news that the EU might be running out of Sugar in spite of a big production year and on ideas of another short production year in Brazil. However, supplies in northern countries have been big, especially in Thailand and India. Overall, the market seems to be caught in a trading range, with ideas of ample supplies from northern producers such as India and Europe keeping a lid on prices, but worries about the next Brazil production being short again providing some support. The Brazil harvest should start by the end of next month. India and Thailand are still selling, and Europe and Russia should return soon. The sugar trade remains concerned about the center-south Brazil crop—yield may be below expectations due to dryness. India announced they will allow an additional 1.0 MMT of unrestricted white sugar to be exported. Drought conditions in Mexico have both the world and U.S. market concerned about sugar production there along with exportable supplies.

U.S.D.A. reported a 1% increase in U.S. planted sugar beet acres to 1.241 million acres. The largest percentage increase are seen the west, particularly Colorado and Idaho. Temperatures remain warm in the Red River Valley, raising the potential for yield losses from “weeping” beet piles. Domestic sugar buyers are beginning to focus on April 1 as it is the time when U.S.D.A. can issue a larger TRQ.

American Crystal Sugar continues to operate with replacement workers. Temperatures have been above 60 degrees Fahrenheit (during the past week) in the Red River Valley, raising the potential for yield losses from “weeping” beet piles.

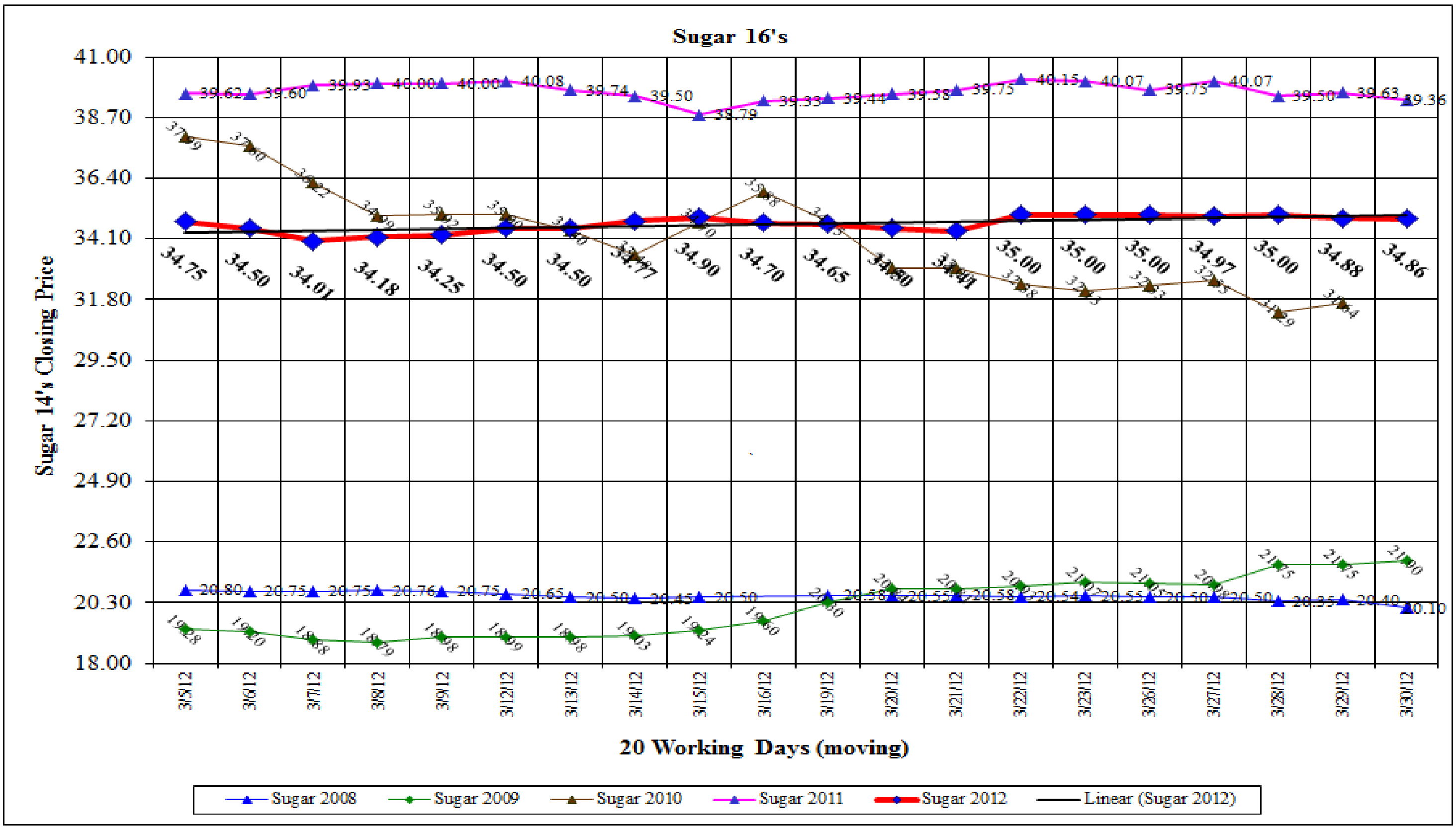
The sugar beet crop had a great stretch of warm weather and growers took the opportunity to plant approximately 32,000 acres (20%) of beets last week. Late in the week, light showers put the brakes on most planting activity. This week is much cooler and will not be as conducive to early planting as last week.

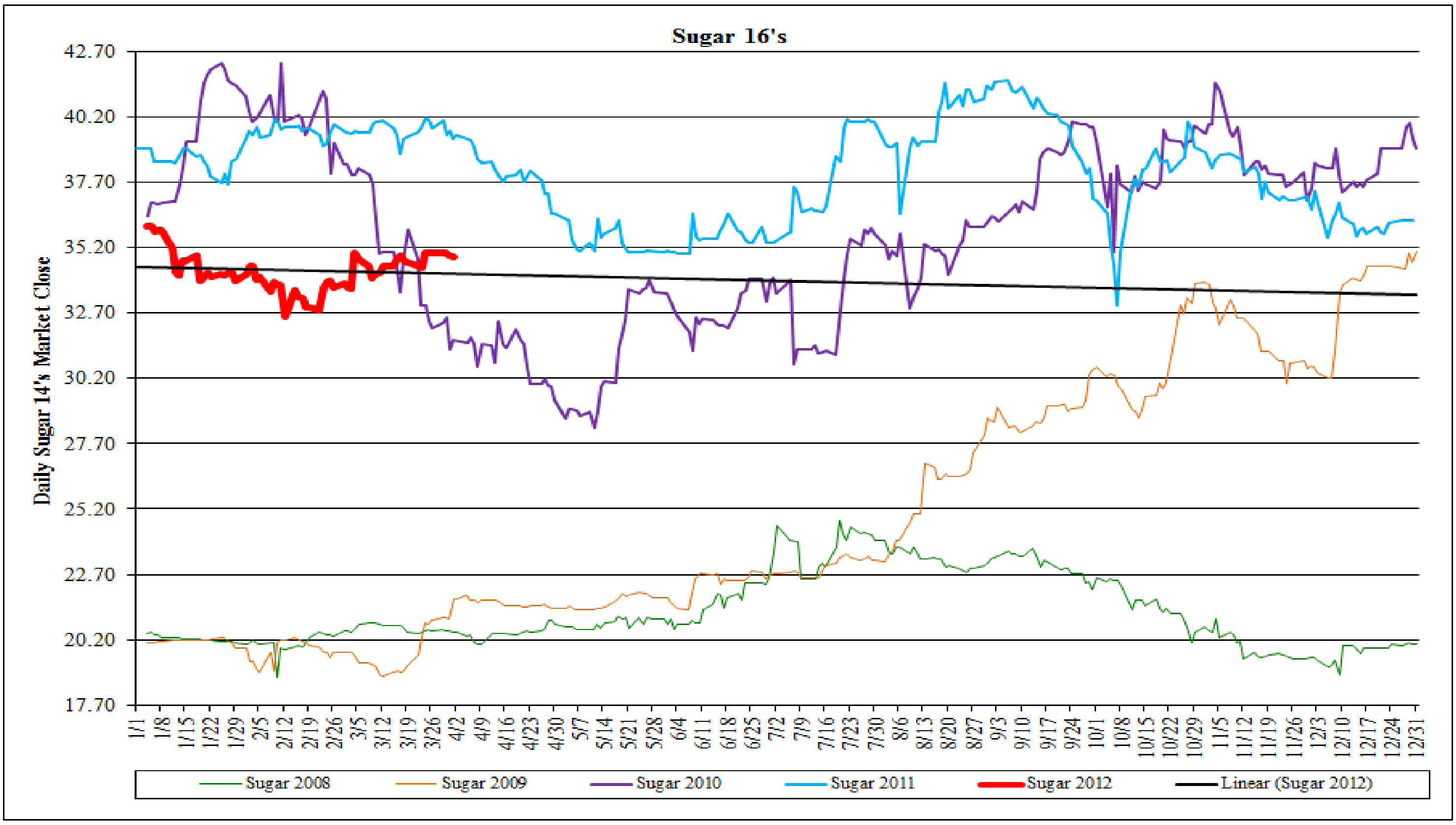
The cold temperatures are a bit of a concern but most of the planted acres have not emerged and if they have, the crop is fairly frost tolerant. Soil temperatures are in the mid to upper 40’s at this time. Only time will time will tell whether or not this crop will continue to be planted and these early beets take off.

U.S. supplies of sugar are adequate for now, but expect supplies to tighten as we approach the third quarter (JAS).

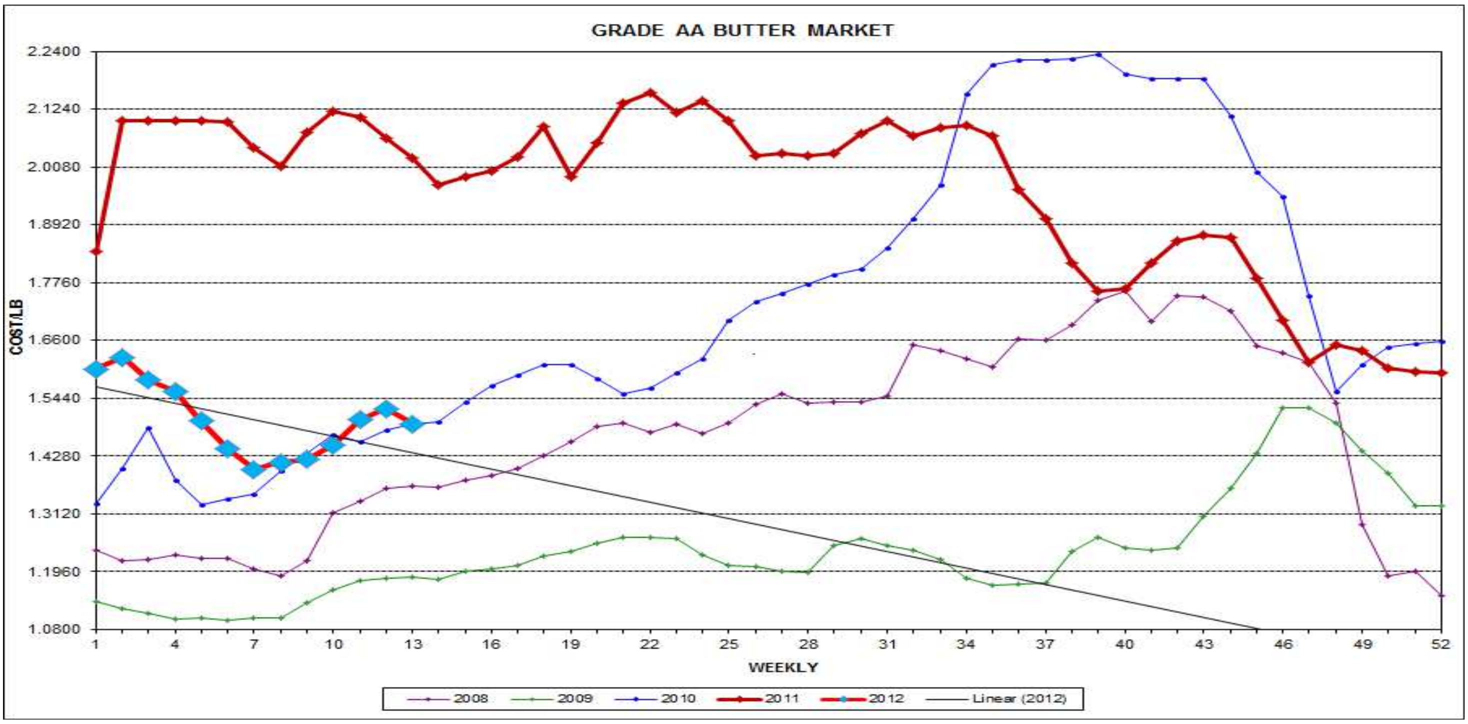
Near-term U.S. sugar prices remain on the defensive, but the U.S. balance sheet remains historically tight despite balance sheet easing by U.S.D.A.

Sugar 16’s closed down $0.14/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 $0.015/lb. on Friday, ending the week at $1.4625/lb. The weekly average is $1.4925/lb. down $0.03/lb. from last week's average.

A. Butter Market

The butter price started to ease at midweek, declining $0.06/lb. by Friday to close the week at $1.4625. Churning schedules across the country remain active although cream supplies are less available than they have been. Declining cream volumes for churning are being attributed to increased Class II cream based holiday type items and increasing ice cream and ice cream mix production. Typically, ice cream production does not increase at this time of the year, but with mild weather pattern prevailing over much of the country, ice cream consumption is getting an earlier than usual shot in the arm. Many butter producers anticipate that cream offerings will increase in the coming week as Class II holiday item production declines and some Class II operations will adjust their production schedules due to the upcoming holiday weekend. Churning capacity should be sufficient to handle the additional cream volume with minimal problems. Good Easter/Passover orders are basically in the books and current sales activity is centered around last minute fill-in needs. Retail features are being reported in many markets and will continue into next week. Food service orders have been good, but are trending lower as upcoming holiday needs are filled. Cooperatives Working Together (CWT) continues to assist in the export of butter with nearly 1.9 million pounds receiving assistance last week. Thus far this calendar year, CWT has assisted in the export of 32.2 million pounds of butter.

B. Dairy Powders

Nonfat dry milk prices are mostly lower as the market continues to search for a floor. Drying schedules are heavy to process the high volumes of milk headed to dryers. Plants are running at or near capacity with the volumes challenging processors. Buyer sentiment has softened as price trends have weakened and as offering volumes have increased. Dry buttermilk prices are trending lower as the market continues to weaken. Production levels have increased in most parts of the country with the exception of some areas in the Central region. Buyer interest is light to fair for the current heavy buildup of powder. Dry whey prices weakened across the nation this week. The market tone is somewhat unsettled as evidenced by the wide price spreads. Production schedules are heavy in the West, while steady in the Central and Eastern regions. Whey protein concentrate 34% prices decreased this week. Fewer spot transactions were noted between end users and approved suppliers, eroding some support for the tops of the price series. Lactose prices are steady and the market tone is steady to firm.

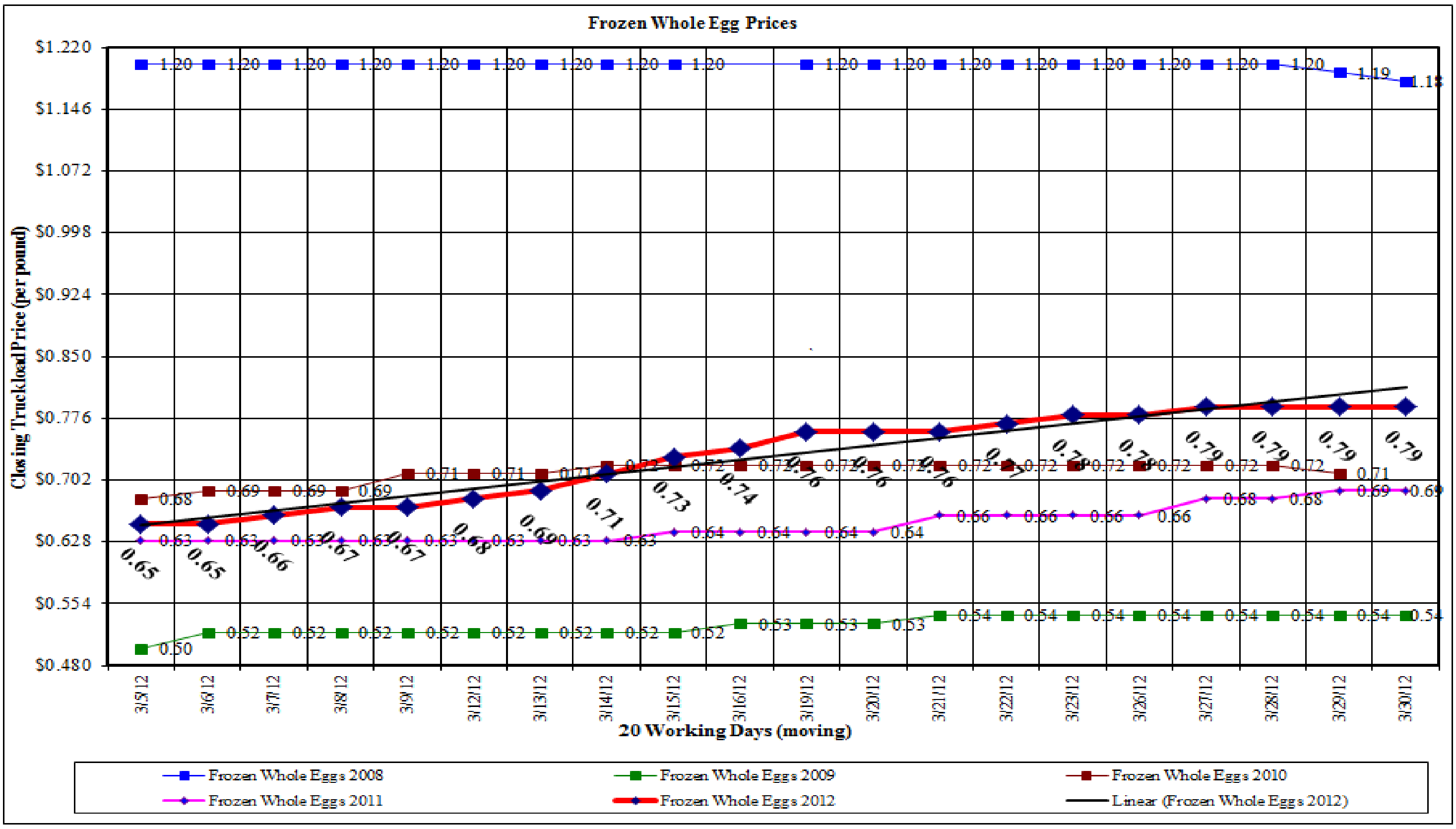
Eggs

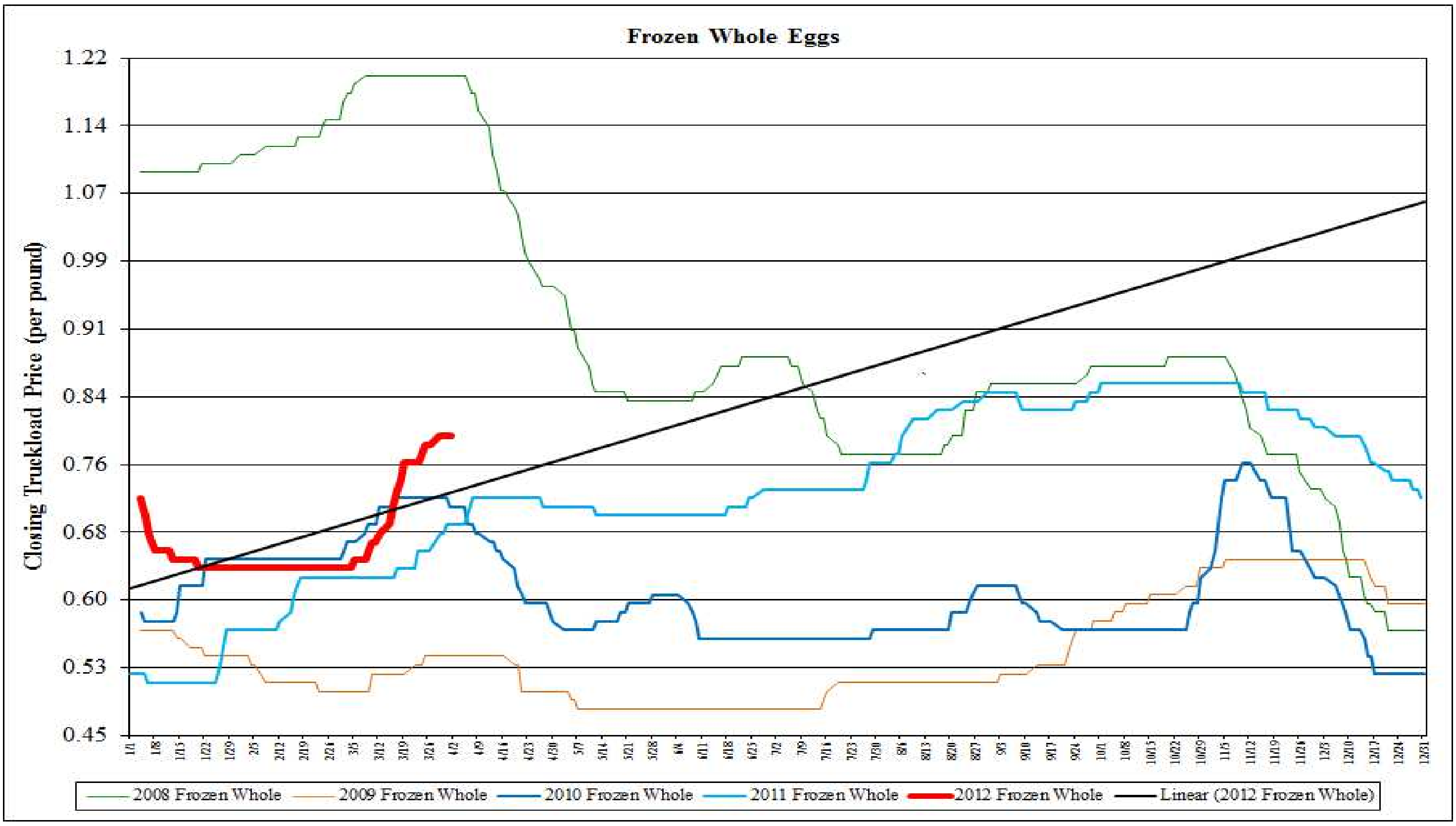
Trading at the wholesale level is winding down as most have now positioned themselves for expected Easter demand. There certainly could still be some last minute needs that need to be secured, but the bulk of transactions have already been made. Bids to buy subsequently have reduced dramatically from the previous few weeks, which are a fairly common; pattern this close to a major holiday. Offerings have increased ever so slightly, with asking prices trending toward higher values. This is true of both grade-able nest run as well as already graded product. Completed transactions are solidly “in market” ranges, but (on average) are no longer premium in price. Supplies extra-large and large are well balanced from coast to coast. Smalls are quiet with some export transactions reported. Brown eggs have maintained a fairly good balance which sometimes is a challenge around Easter.

Further processors are less aggressive in their pursuit of heavy breaking eggs versus earlier in the month. Several breakers have been attempting to supplement their shell egg inventory which may have been depleted by selling class 1’s into grading channels. Retail demand is good on average and ranges from fair to excellent. This differential maybe created by delivery requirements (store-door verses warehouse) or promotional activity. There is a fair amount of features reported both in progress or scheduled for next week. Most ads will focus on large, but may vary from single to 18 pack quantities. Institutional/foodservice business is steady, and should be positively influenced by Easter. The market is steady.

The egg products market is fairly stable at the moment; settling in after last week’s rally. There is some slightly renewed interest in whites both liquid and dried. Liquid whole egg and yolk appear to be transacting freely within current ranges.

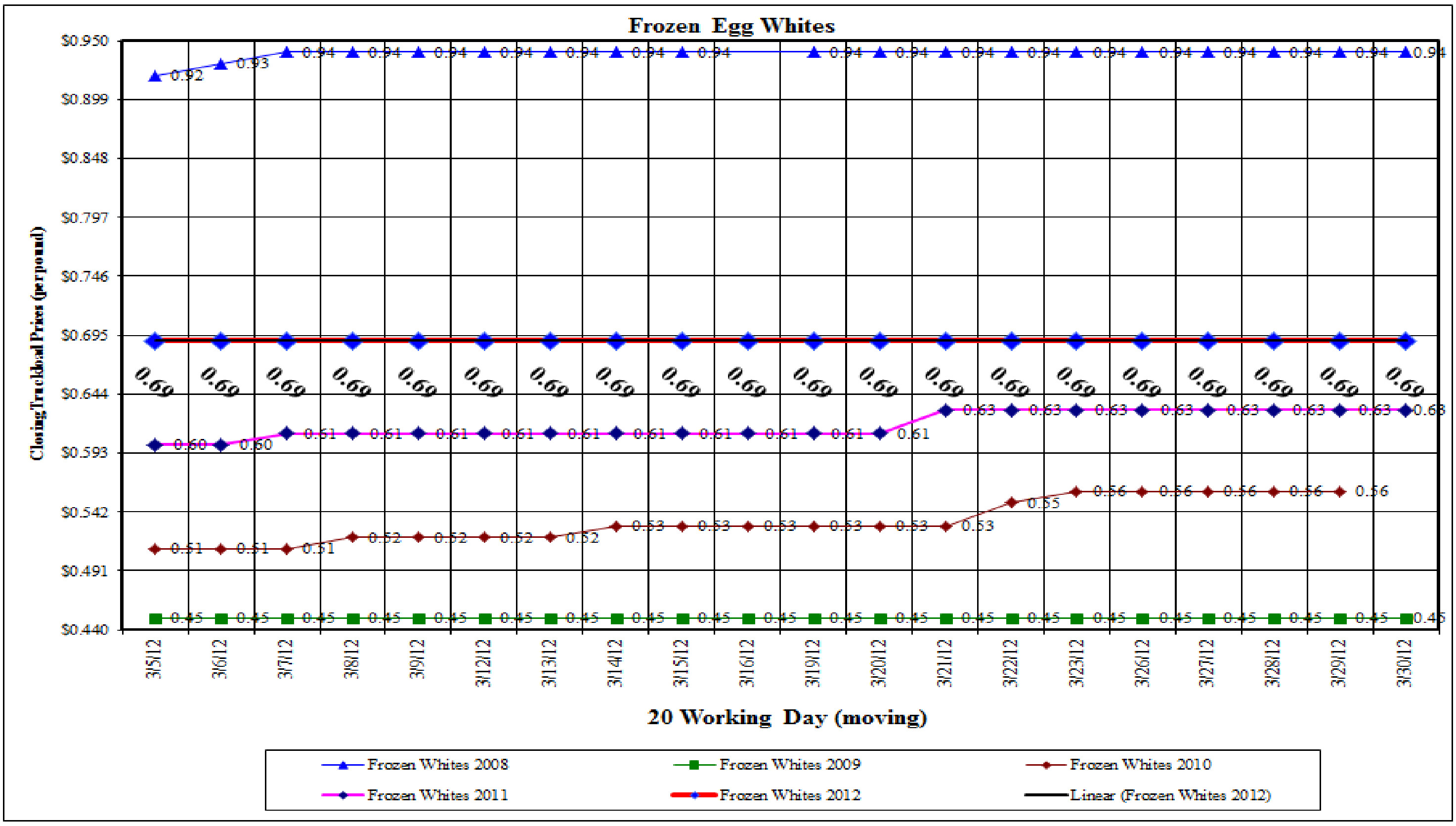
a. ***Frozen Wholes***

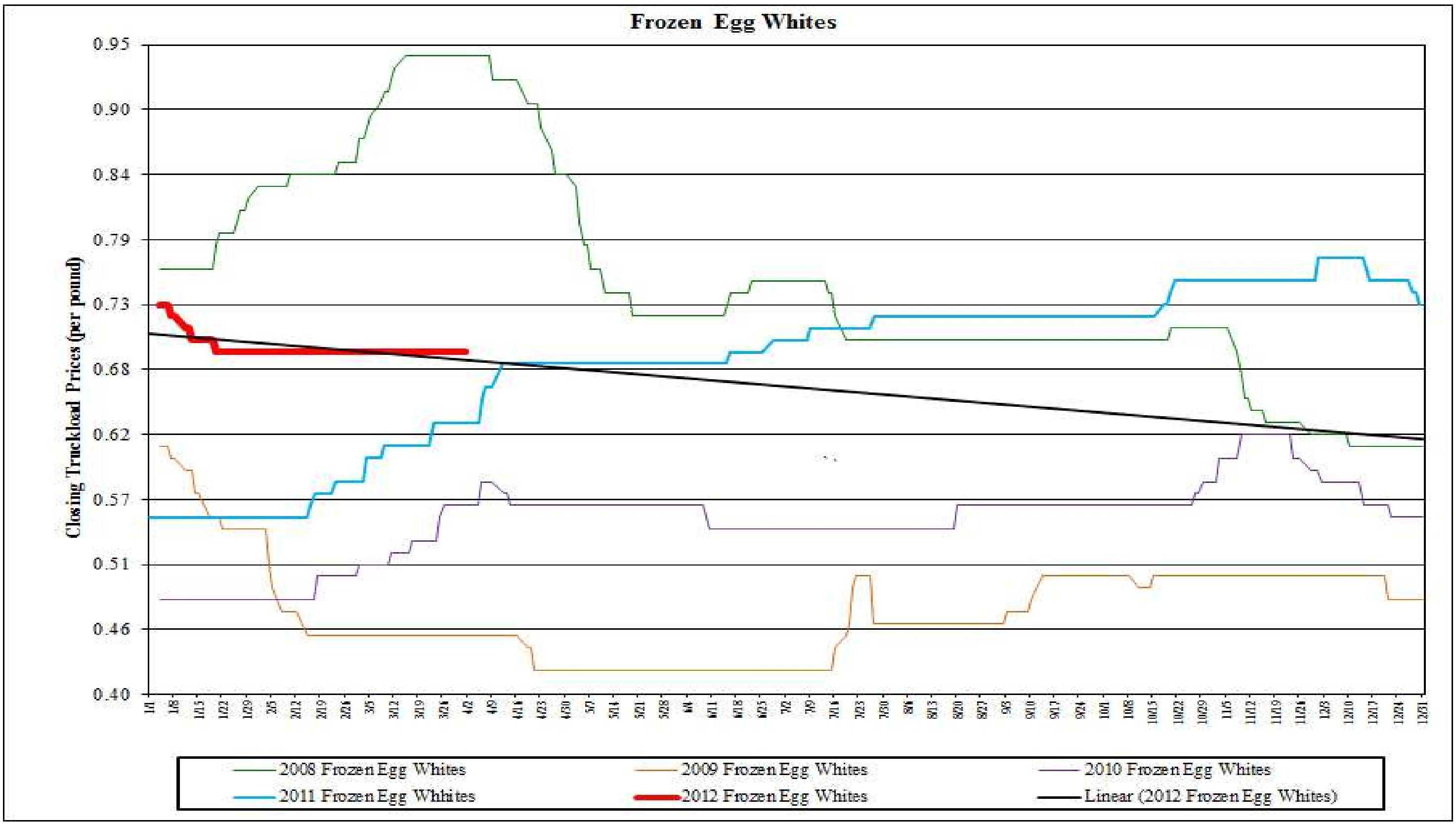




Frozen Whole Eggs closed up $0.01/lb. for the week (compared to last Friday's close).

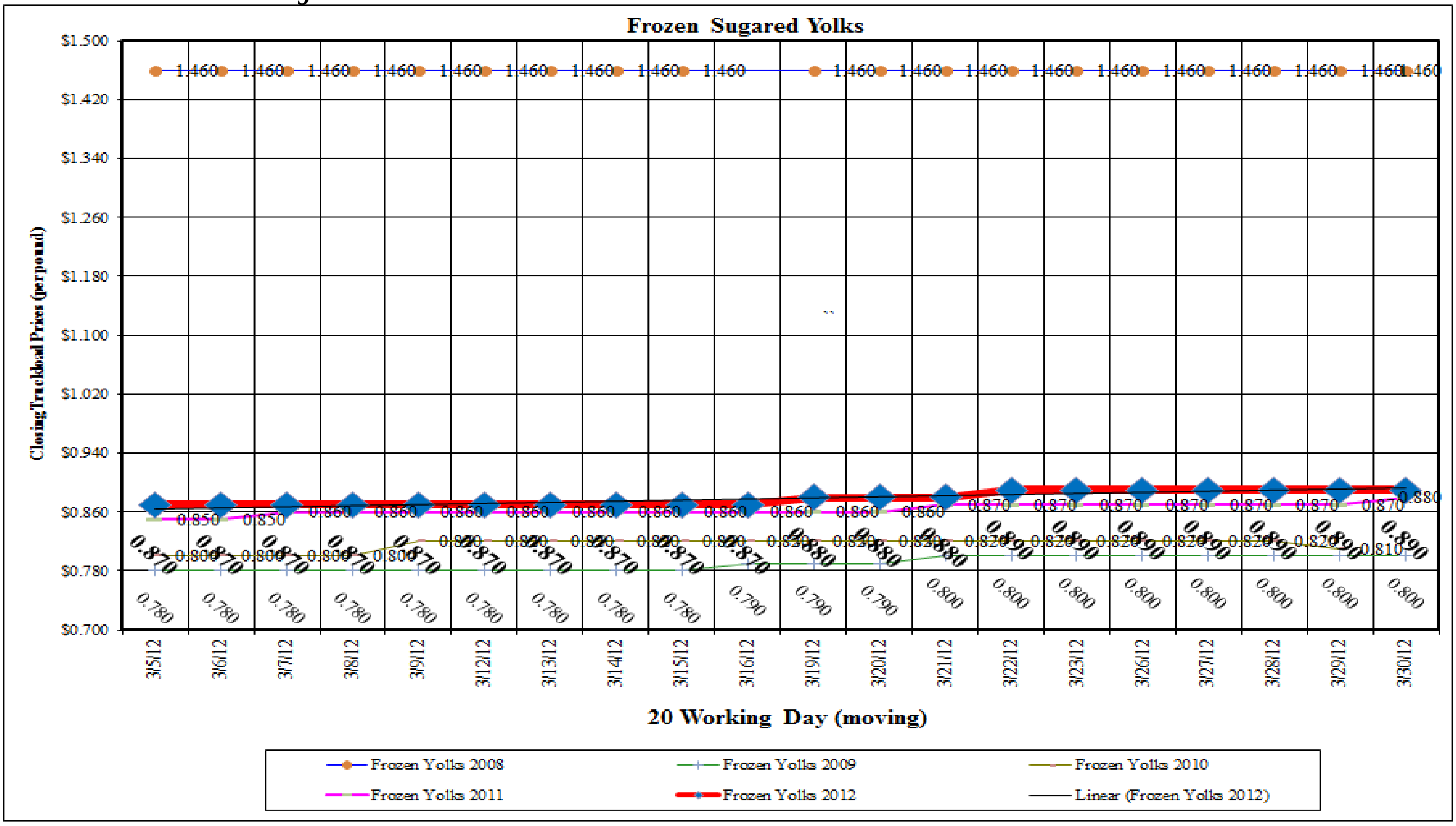
b. Frozen White

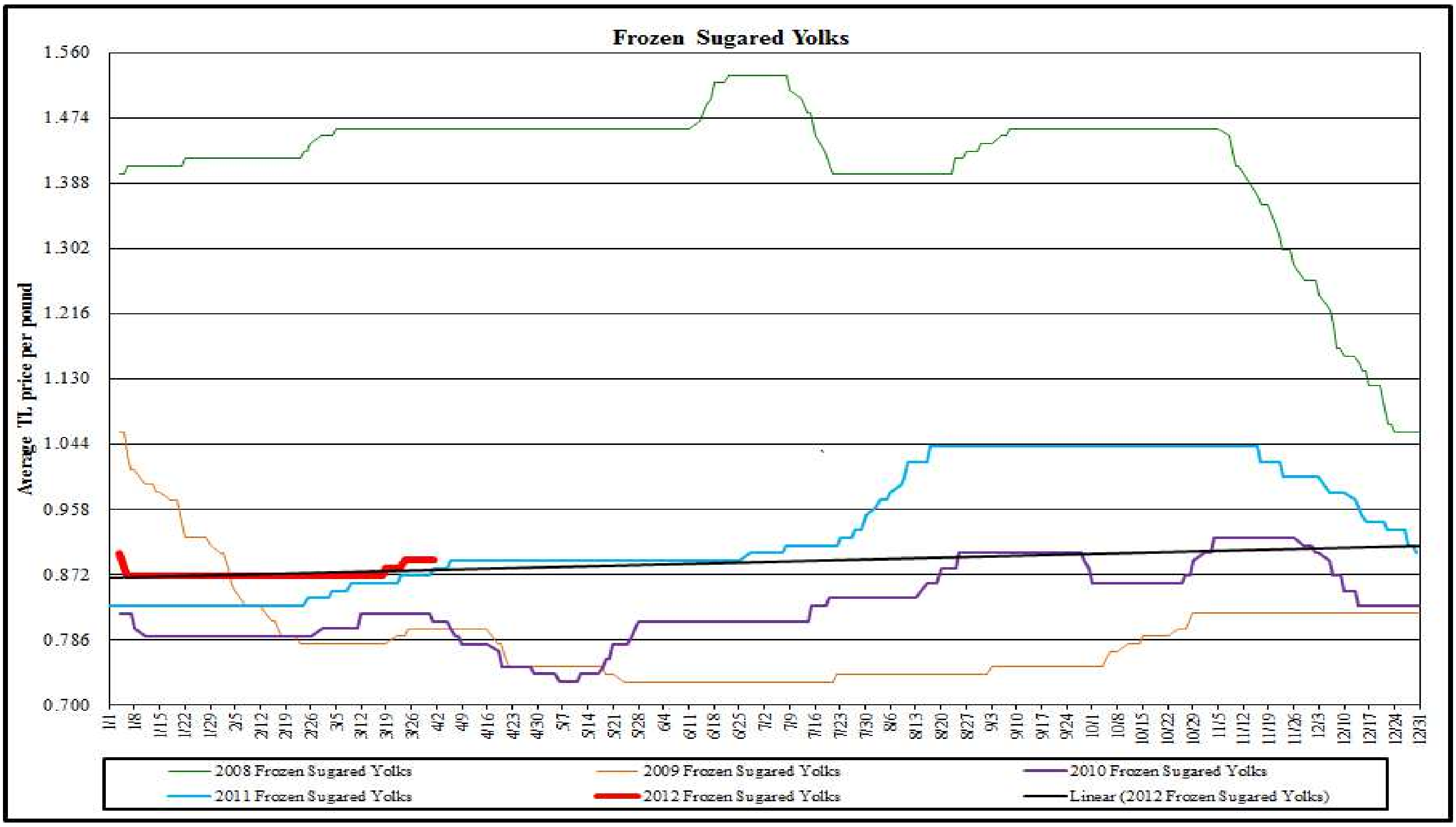




Frozen Egg Whites closed "no change" for the week (compared to last Friday's close).

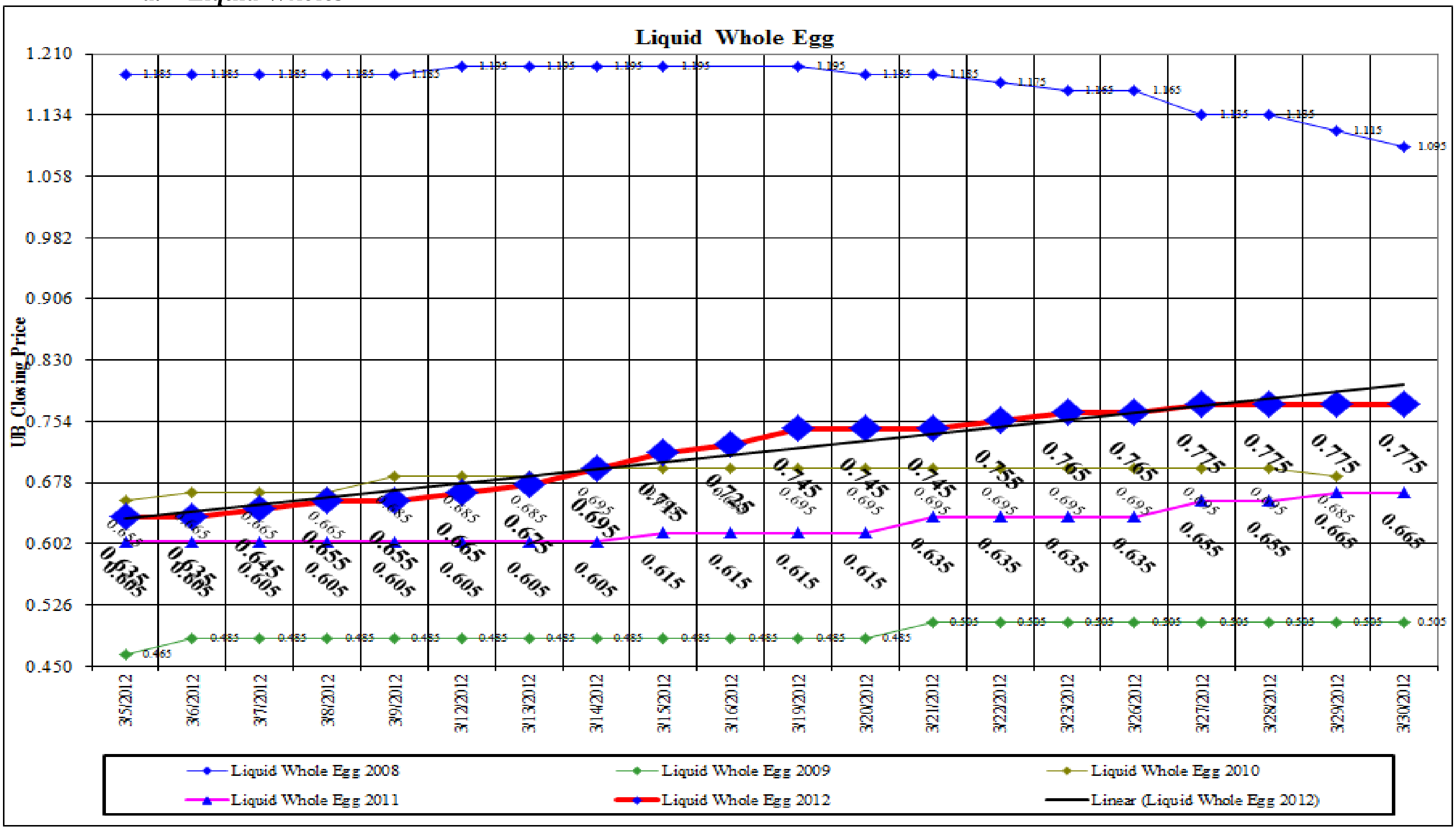
c.   Frozen Sugared Yolks

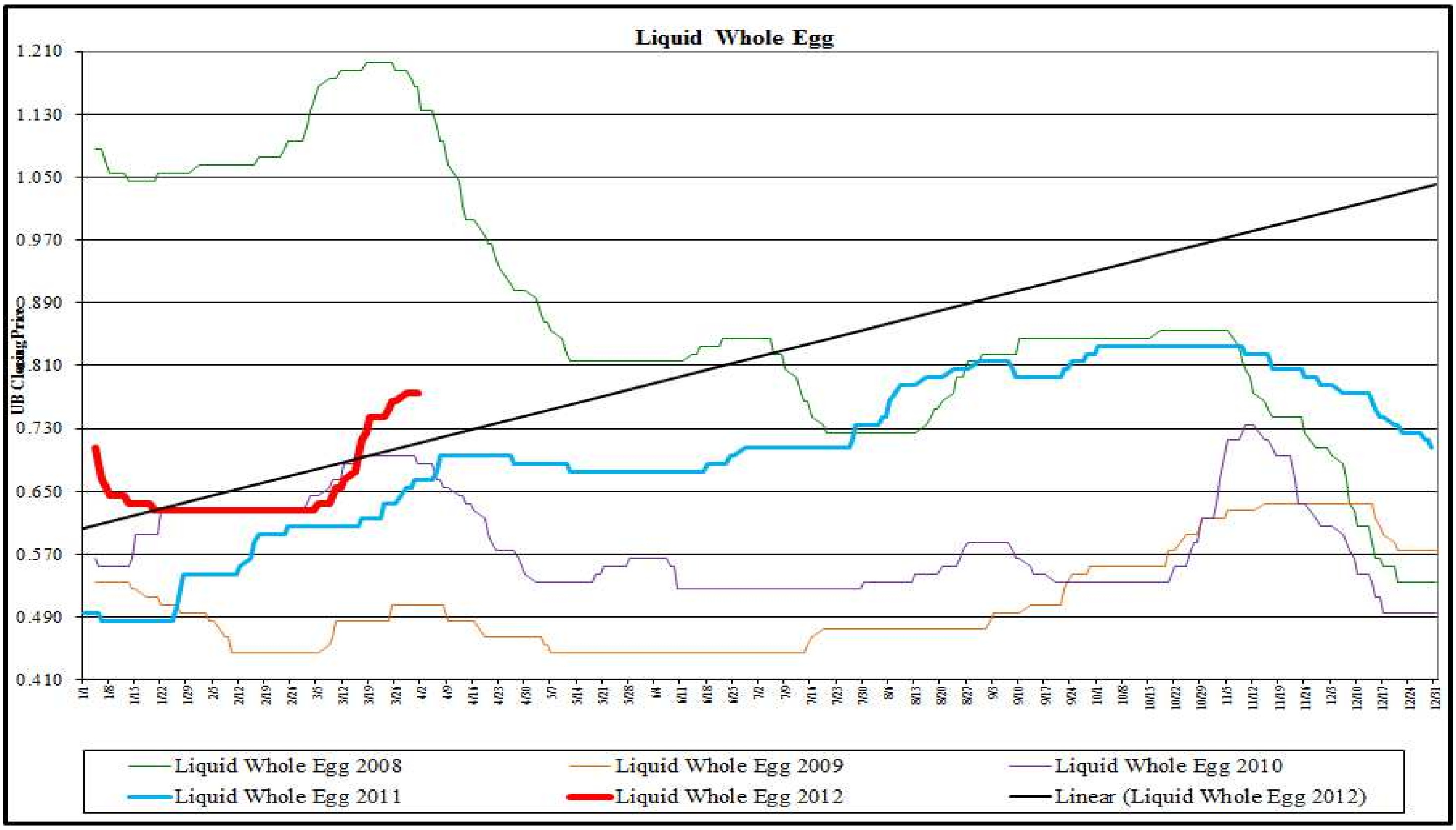




Frozen Sugared Yolks closed "no change" for the week (compared to last Friday's close).

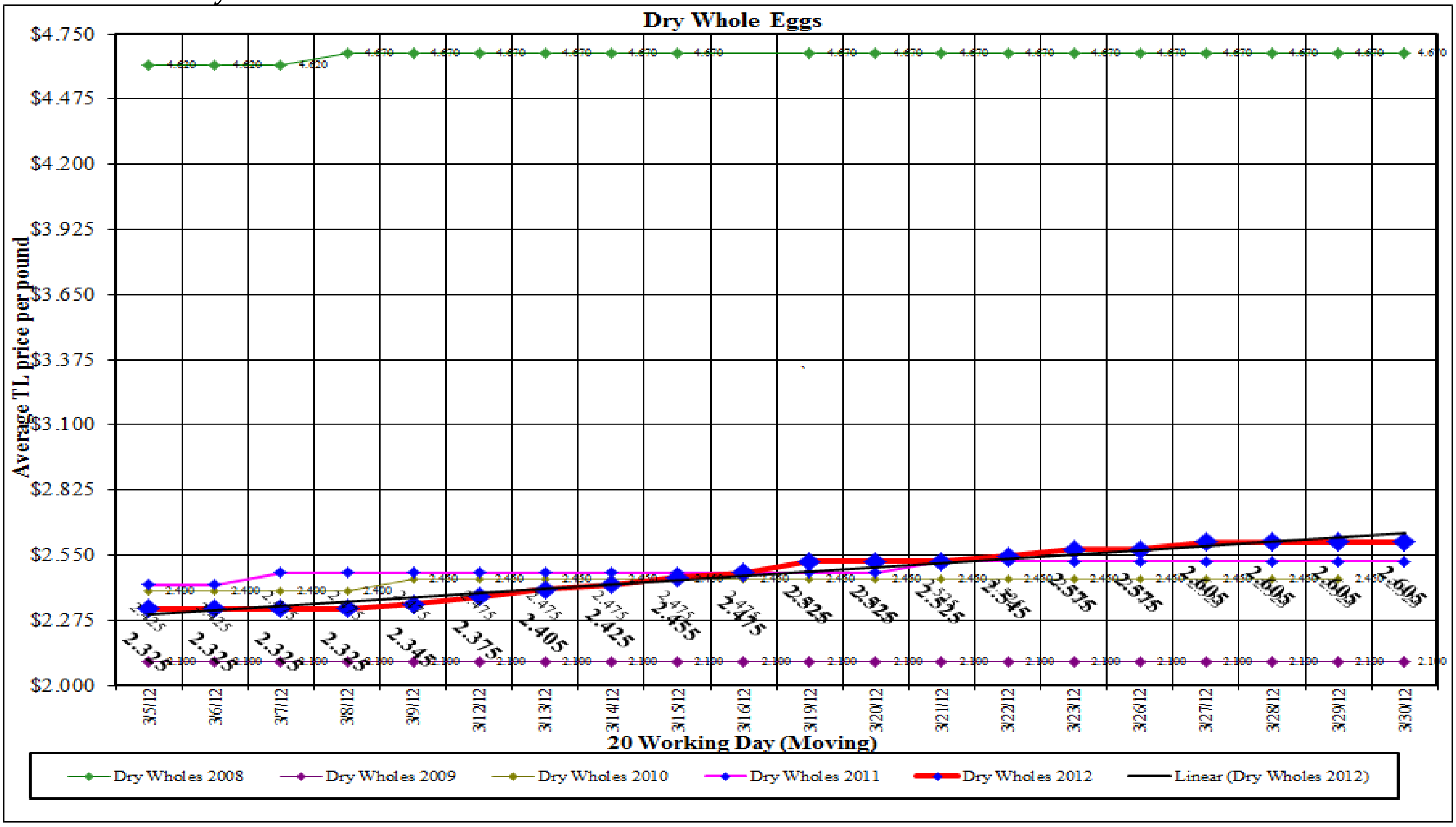
d. Liquid Wholes

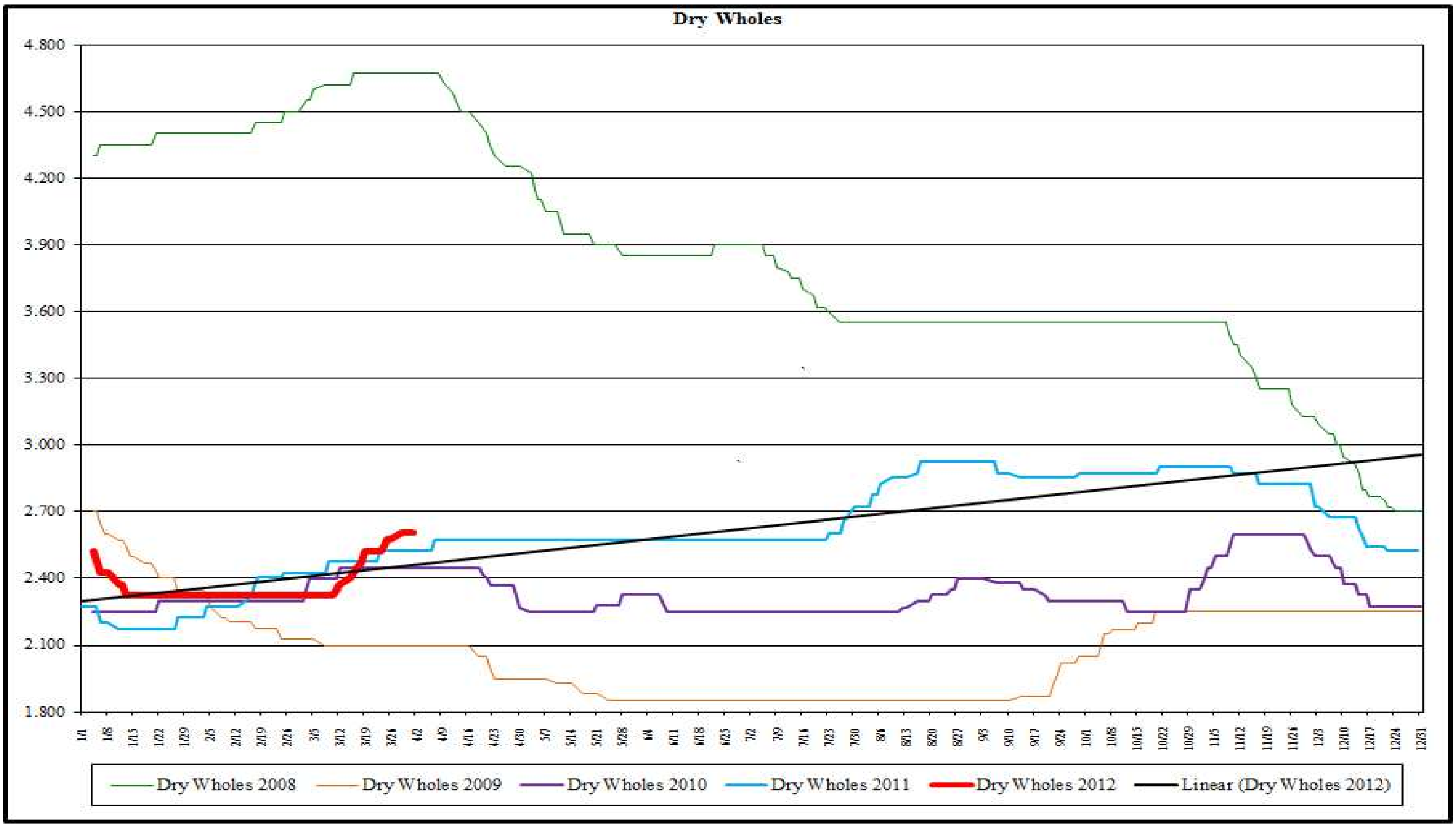




Liquid whole eggs closed up $0.01/lb. for the week (compared to last Friday's close).

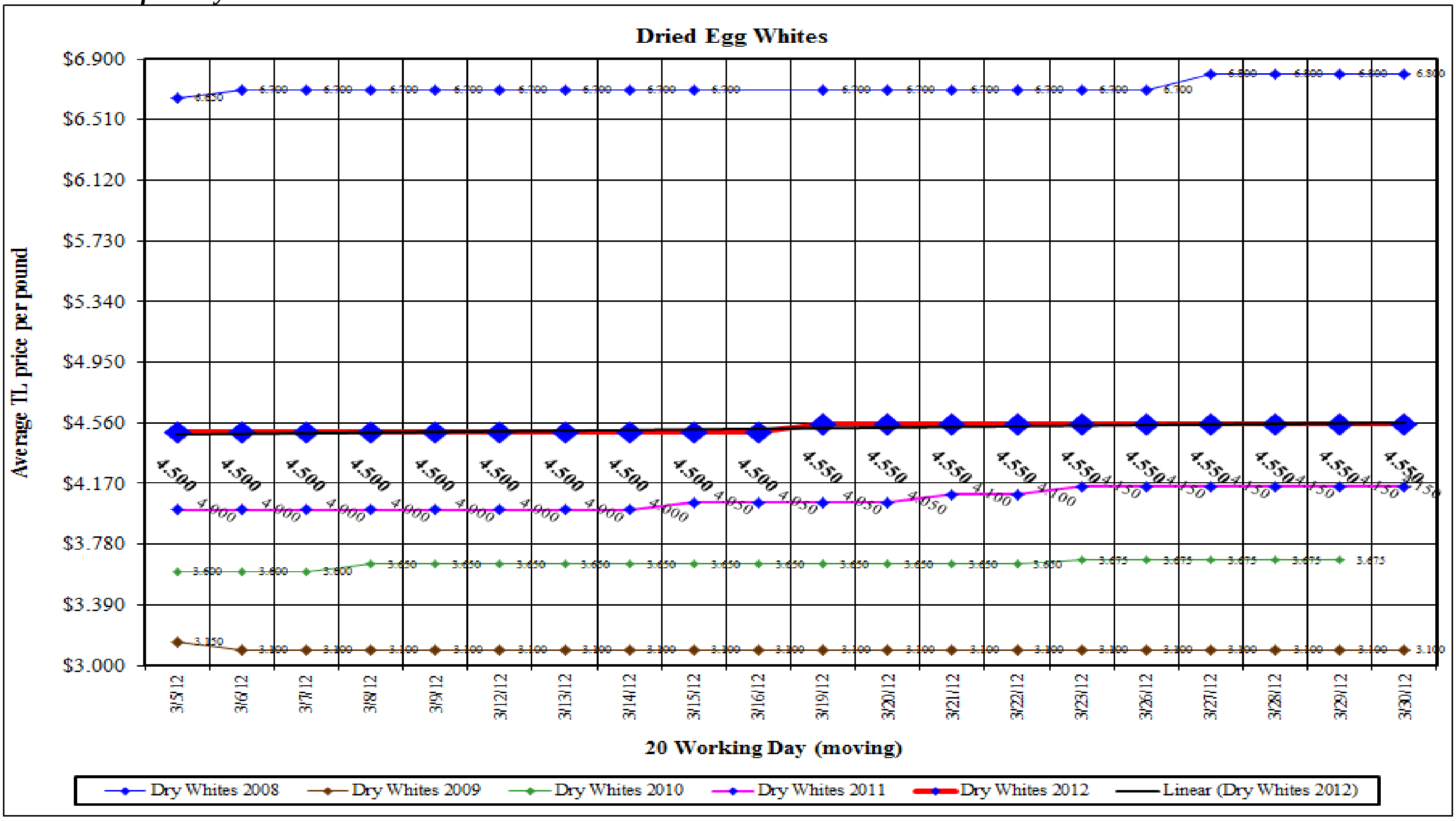
e. Dry Wholes

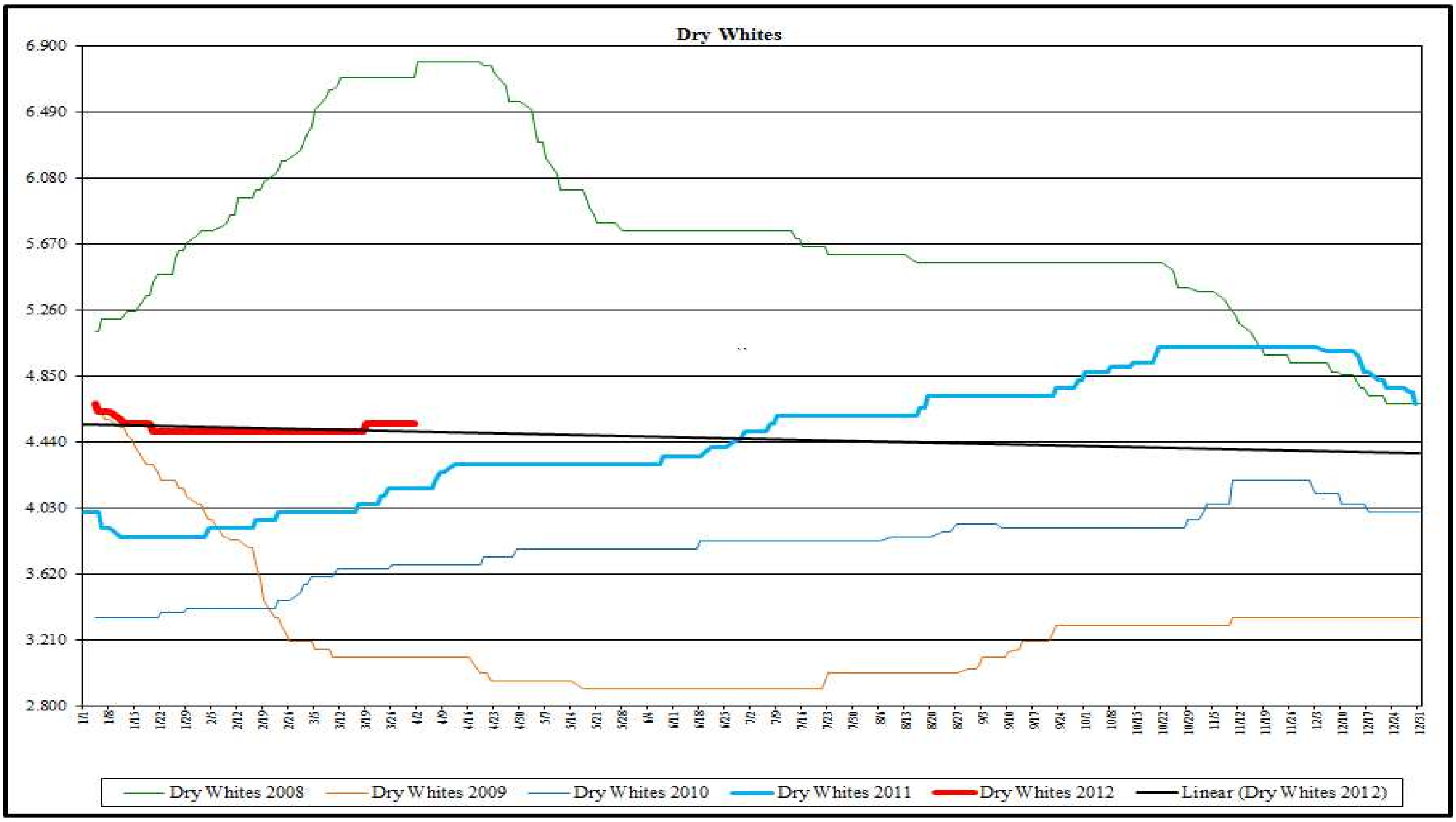




Dried Whole Eggs closed up $0.03/lb. for the week (compared to last Friday's close).

f. Dry Whites





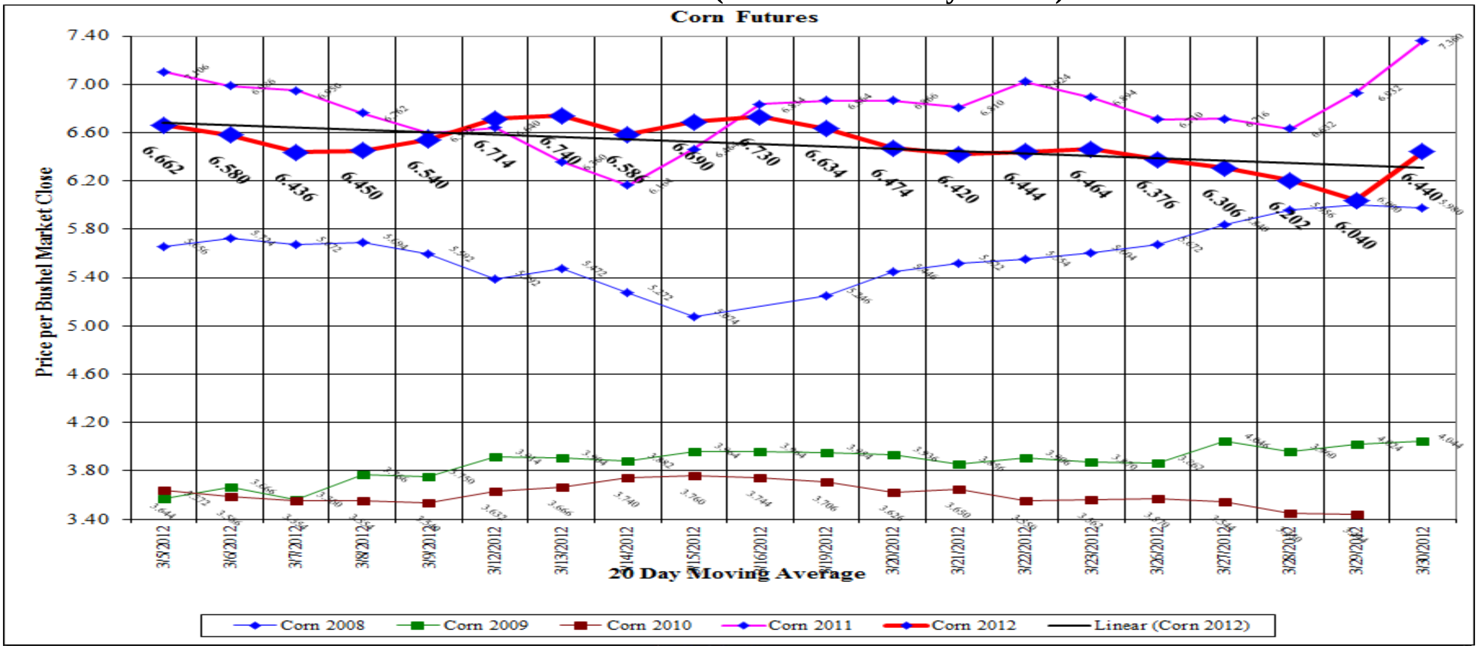
Dried Egg Whites closed "no change" for the week (compared to last Friday's close).

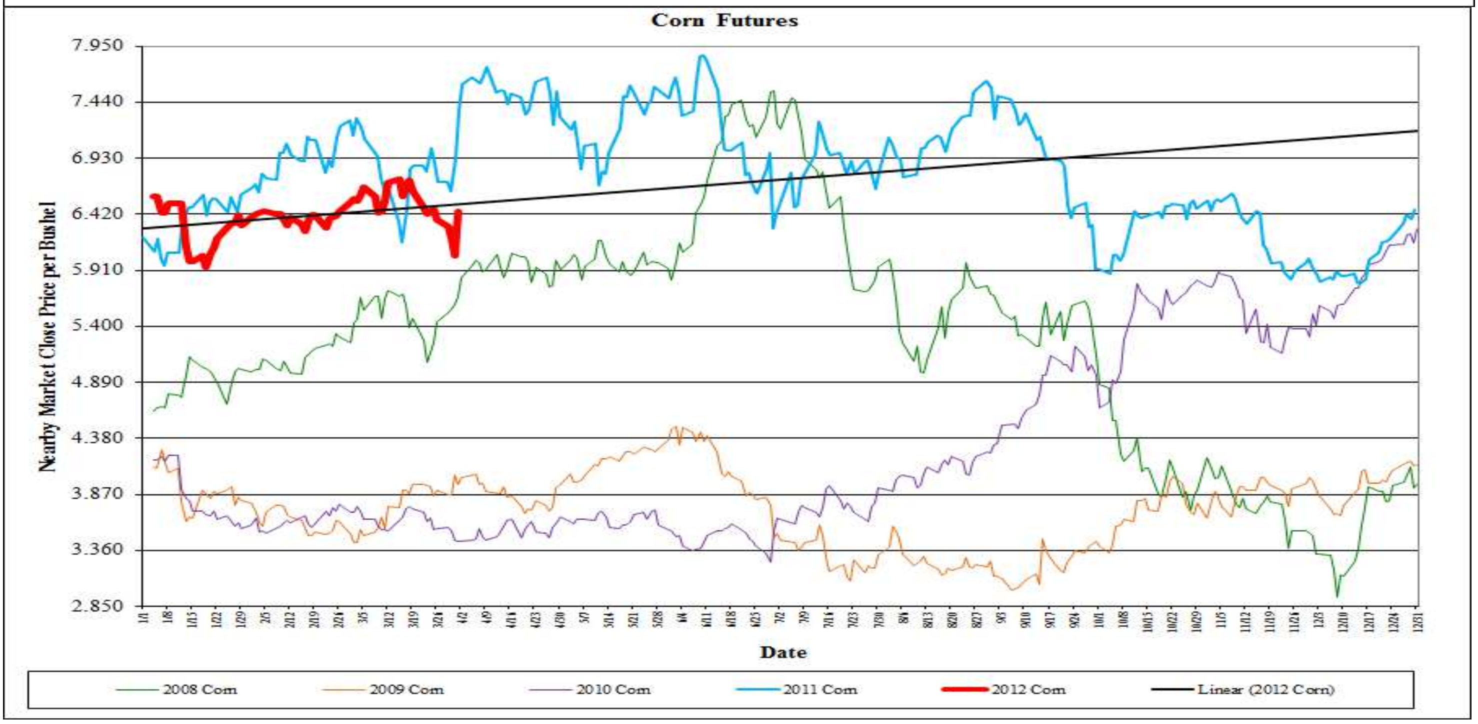
Corn

In their report this morning, U.S.D.A. has pegged 2012 U.S. corn plantings at 95.864 million acres, the highest since 1937. This estimate was 1.144 million above trade guesses and was 104% of last season's 91.900 million. U.S.D.A. has pegged U.S. March 1 corn stocks at 6.009 billion bushels. This was 141 million below trade guesses and compared with March 1 stocks last year of 6.523 million. December-February implied disappearance was 3.64 billion bushels versus 3.53 billion for the same quarter a year ago. On-farm corn stocks on March 1 totaled 3.192 billion bushels versus 3.384 billion a year ago. Off-farm corn stocks on March 1 totaled 2.817 billion versus 3.139 billion last year.

Based on this morning's report, upside price targets for corn, (basis November and December contracts) look to come in at $5.65/bushel, then $6.00/bushel. Corn still remains range bound between 585 and 675 since the beginning of October never closing below 625 since January 20th. There is strong resistance from 650 TO 675. This week, corn saw a sell off sharply from its session's high to make its lowest low and close since the middle of February. There is good support down to 625 but corn hasn't settled below 630 since January 23rd. Corn along with wheat, has been the taking the brunt of selling against the beans for quite a while now. Add to that planting of corn is well ahead of schedule.

Corn futures closed down $0.024/bushel for the week (versus last Friday's close).

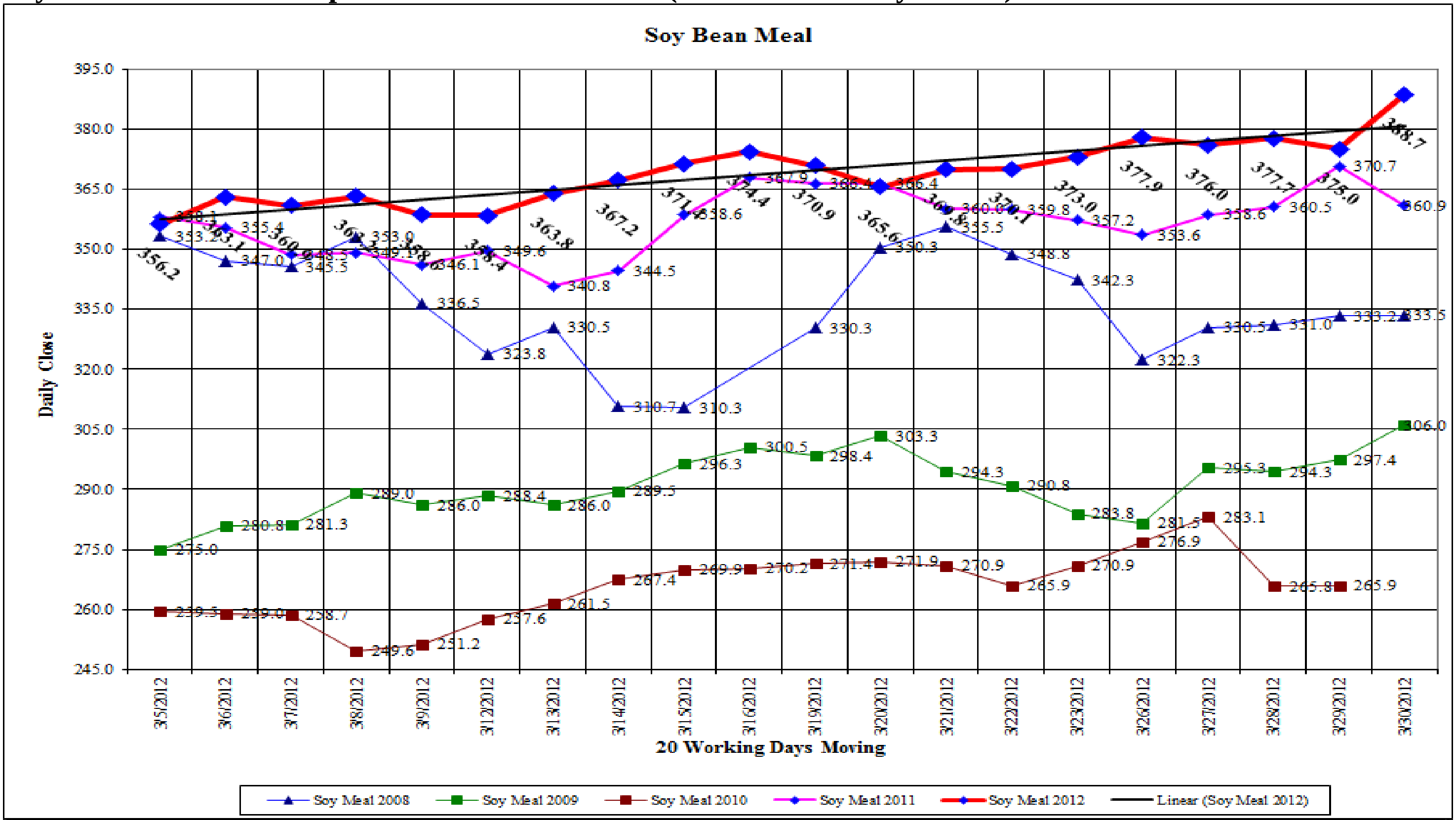


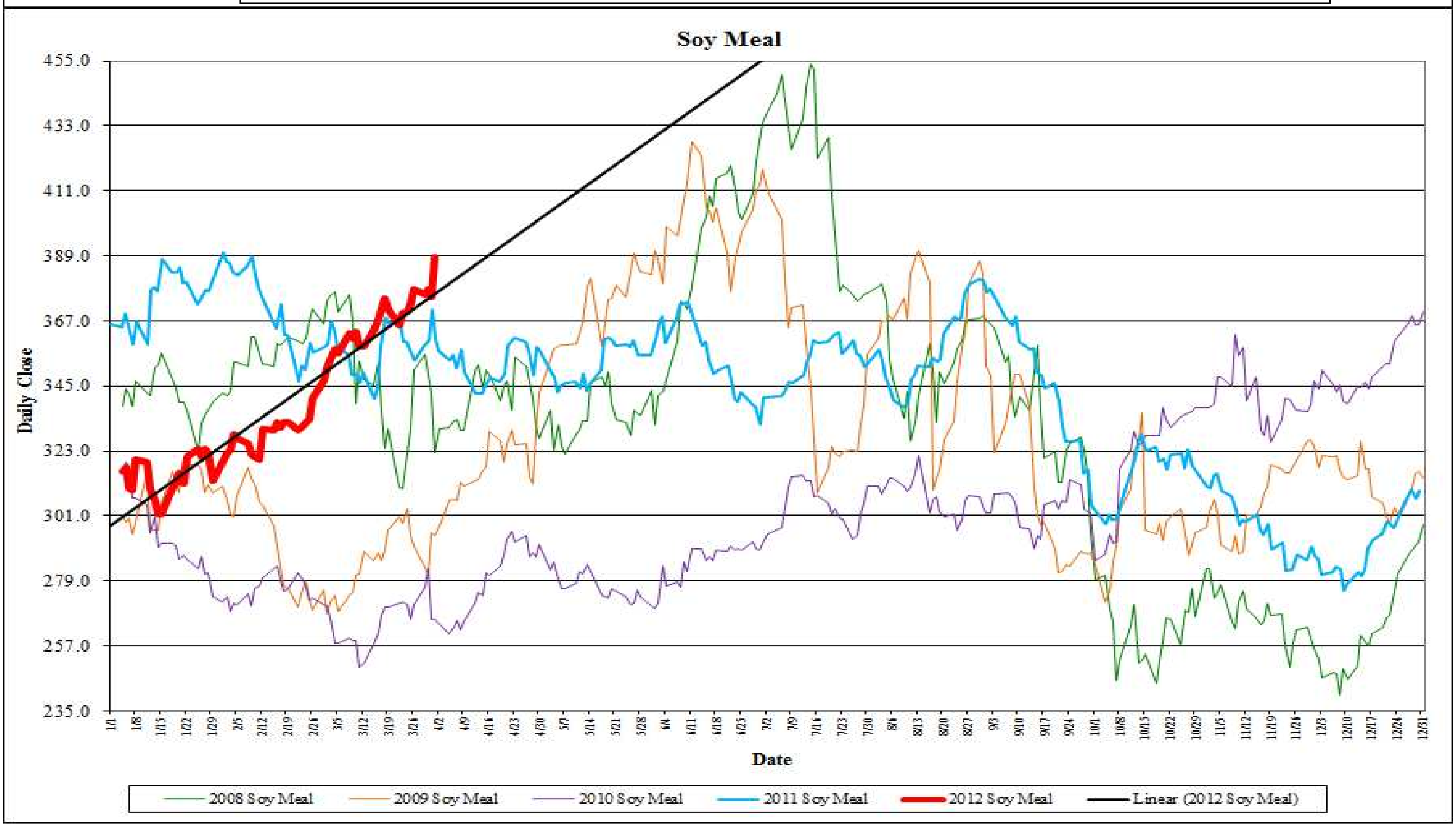


Soy Meal

Soymeal export sales were within guesses this week at 132,900 tons; season's total 5,558,500 versus 6,232,300 last year. YTD shipments are off 10% and commitments are off 9%.

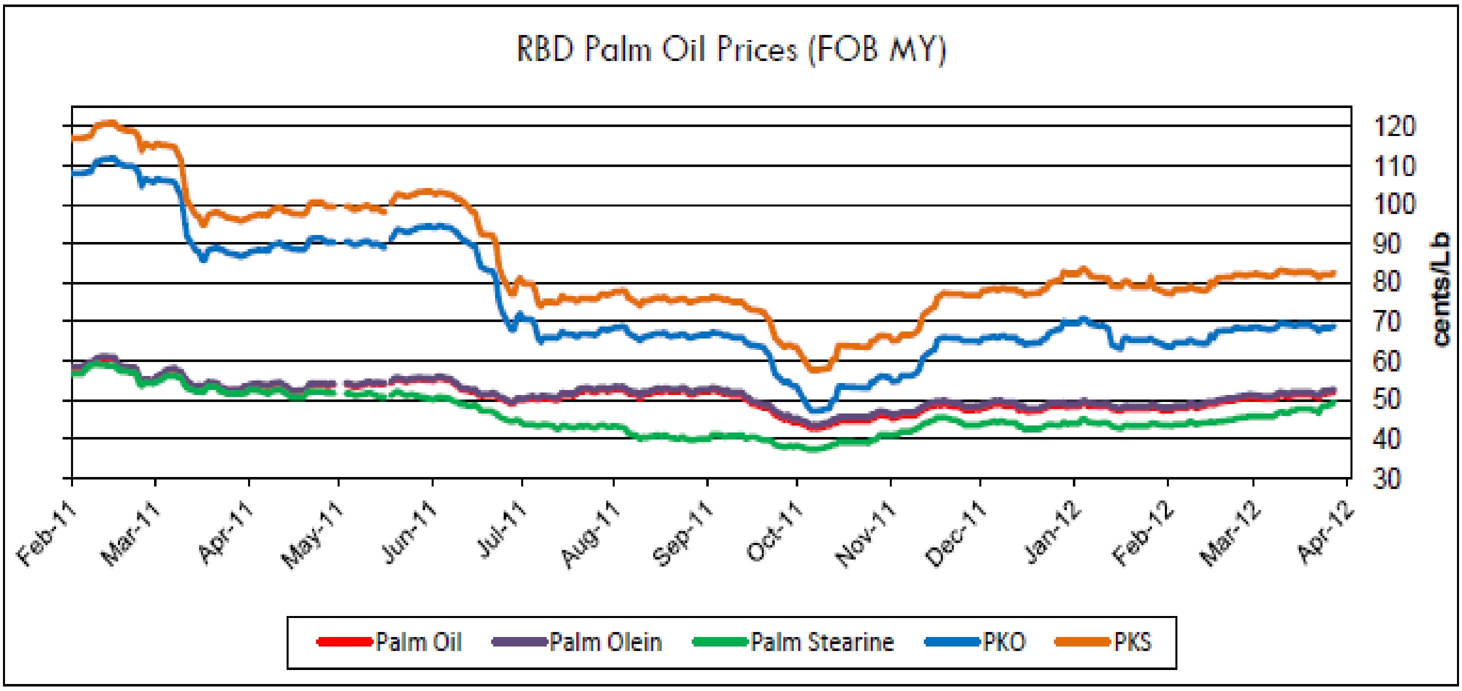
Soymeal futures closed up $15.70/ton for the week (versus last Friday's close).



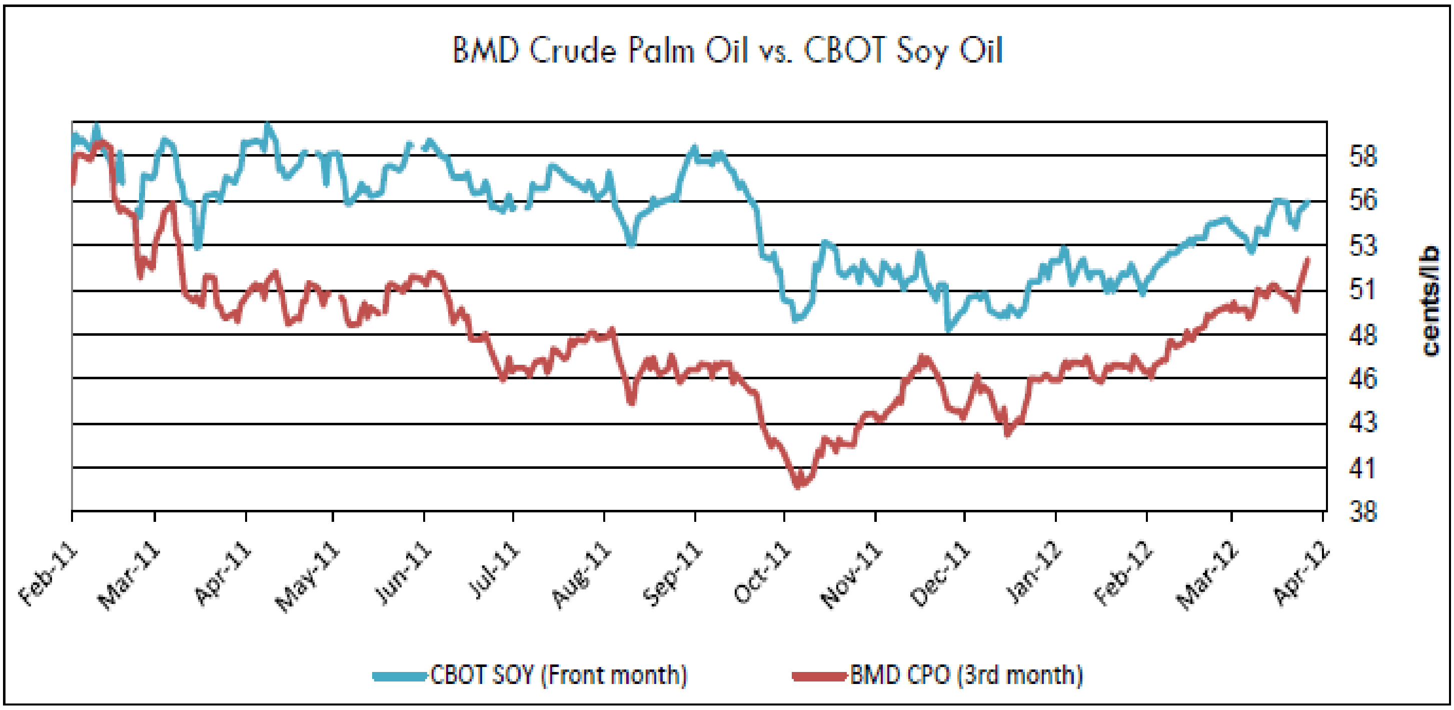


Palm Oil

Malaysian palm oil futures closed down as traders booked profits from a one-year highs hit earlier in the week, although losses were limited by news of larger food imports by China and soybean crop damage in South America. A healthy demand outlook for palm oil was supported by the latest Malaysian export data, which pointed to a moderate improvement in exports for the first 25 days of March. Traders are expecting March exports to be higher than February, registering a first month-on-month increase since October last year. On top of that, market players are focusing on Malaysia's palm oil supply, as lower crude palm oil production arising from seasonally weaker yields could push prices up further. Analysts said that the effect of biological stress could kick in soon after 12 months of a strong production up-cycle and that could lower palm oil production.



(Graph source: Loders Croklaan)



(Graph source: Loders Croklaan)

Energy Markets

Nigeria, the Other Supply Risk Nigeria, the Other Supply Risk

Over the last year, the energy markets have been largely preoccupied with events in the Middle East and North Africa (MENA). In the recent months this fascination has become even more myopic with attention being focused almost exclusively on Iran. While events in Iran undeniably have, and for the foreseeable future will continue to have a material impact on energy markets, they are by no means the only supply risk the markets face. One supply risk that today is attracting little attention is Nigeria. Nigeria's importance to the market has grown substantially in recent years and the loss of its supply could adversely impact the markets. The market's intensive focus on Iran has left it potentially vulnerable to a surprise from Nigeria.

Nigeria is the world's 10th largest producer and the 7th largest exporter of crude. At present, Nigeria produces approximately 2.4 million barrels/day and exports 1.8 million barrels/day to the international markets. A significant portion of Nigeria's exports, approximately 1 million barrels/day, are shipped to the U.S., making Nigeria one of the U.S.'s key suppliers. Nigeria's importance as a supplier to the U.S. cannot be overstated. Despite numerous domestic issues impacting production, Nigeria was the fifth largest supplier of crude to the U.S. in 2011.

Nigeria suffers from a number of serious political and societal disorders including corruption, underinvestment, sectarian violence, and terrorism. The country's new president, Goodluck Jonathan, took office on May 6, 2010 upon the passing of his predecessor Umaru Yar'Adua. The country is deeply divided between the Muslim north and the Christian south. Vast corruption in the petroleum industry, as well as fiscal mismanagement of the nation's budget (70% of the country's revenue is used to run the government agencies), leaves little room for investment or support of its citizens. As a result, Nigeria suffers from an archaic and inefficient infrastructure. There are only four refineries in Nigeria, all of which are state owned, derelict, and oftentimes only run between 20% and 30% of capacity. Bunkering, bribery, a lack of security and strategic pipeline sabotage from militant groups all contribute to continuous supply loss and present a steady threat to oil production.

One of the more alarming developments in Nigeria has been the increase in violence from organized militant groups. The Movement for Emancipation of the Niger Delta (MEND) was founded in 2006 as a result of an alarming disparity between the wealthy and impoverished residents in the Niger Delta. The group is well funded, equipped with advanced weaponry and has the support of the local population. MEND activities have cost Nigeria and the global marketplace approximately 800,000 barrels per day or an estimated 25% of Nigeria's crude production. In February 2006 MEND militants attacked two Royal Dutch Shell oilfields causing a loss of 477,000 barrels per day.

Another disturbing development has been the rise of the Islamic militant group, Boko Haram. Unlike MEND, this group targets Nigerian government, police, military, banks and Christian institutions for religious purposes. Founded in 2002, Boko Haram has already killed an estimated 250 people this year and is loosely based on Afghanistan's Taliban. Although Boko Haram's attacks have been confined to northern Nigeria, the growing sophistication and increasing frequency of these assaults indicates that the group is gaining confidence. Members of the group recently advocated overthrowing the government. Such bravado puts Nigeria's energy sector (concentrated in the south) in a precarious situation. If left uncontained, the recent violence seen in the north could spread to Nigeria's oil rich and predominantly Christian south. This threat will not only endanger the country's fragile energy infrastructure but it could also incite another civil war.

While Iran is certainly important, the market's intense focus on Iran alone may be overdone and such tunnel vision may cause the market to overlook other potential supply risks such as Nigeria. In light of these issues, the near term energy prices will remain elevated and additional supply risk from key petro-states, such as Nigeria, will provide support to energy prices and could have significant consequences should political/social unrest affect production.

Natural Gas Continues Slide—

On Monday the April NYMEX Natural Gas futures contract settled at $2.23 per million British thermal units (MMbtu)—the lowest close of any natural gas contract since 2002. During the rest of the week, the negative tone persisted with gas trading as low as $2.176 during the trading day, thereby breaking the key $2.20 technical support level. Unlike the crude oil markets, where monetary policy and geopolitics have been driving prices, the U.S. natural gas market is being driven by the fundamentals of supply and demand. A combination of unseasonably warm weather, weak demand and a supply glut are contributing to the notable slump in prices. Expect the natural gas market to continue to see downward pressure on contract prices. It is highly likely that we could see a $1 handle on gas this spring.

Regarding the supply side, elevated storage levels and a mild winter have many market participants expecting natural gas storage to reach historical levels. Storage is currently 47% higher than last year's levels and 54% above the five year average, coming in at 2.380 trillion cubic feet. The Energy Information Administration (EIA) reports that storage levels have increased in the range of 43-58 billion cubic feet (bcf)—a stark contrast to the five year average of a decrease of 8 bcf. This inventory results in a situation where storage could be overloaded causing gas to be dumped on the cash market at even lower prices, thereby dragging futures down. Despite promises of production cuts, it is difficult to believe that any market-shifting curtailment will occur: – many lease holders are contractually bound to keep production up, many are hedged into the future and are therefore not feeling the pinch of low spot prices, and others simply need the cash flow, as meager as it is. Producers such as Encana and Chesapeake have announced cuts but the cuts will not be significant enough to adjust the supply/demand equilibrium in the near term.

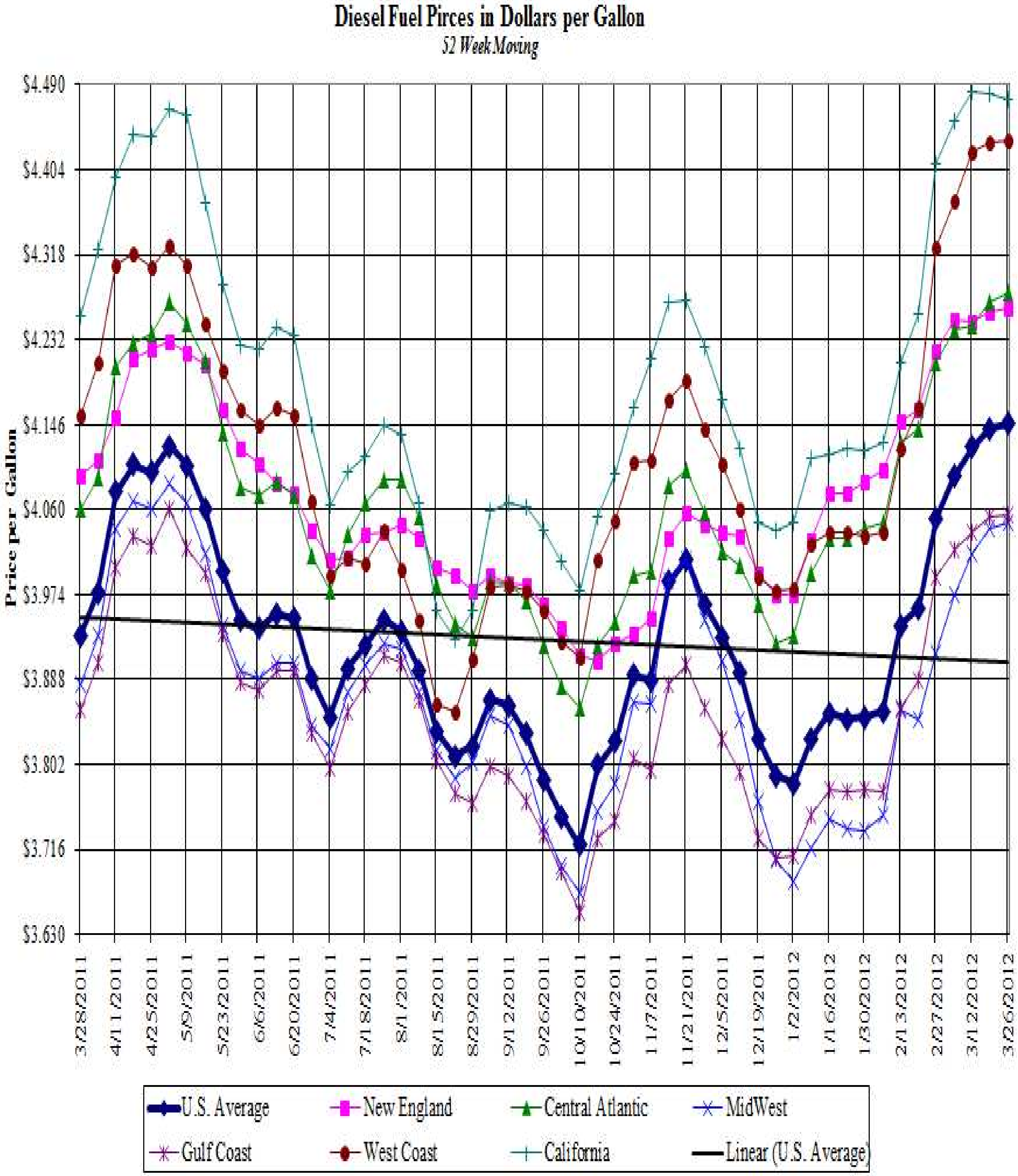
Despite promises of increasing industrial and heating demand, a weak economic recovery coupled with a record warm winter has kept demand weak. This year's winter is the second warmest on record since 1950 and the National Oceanic and Atmospheric Administration are forecasting higher than average temperatures for most of the U.S. in April and into June. Even as gas demand for power generation has increased substantially, aggregate domestic demand is expected to grow at a pace slower than that of new supply hitting the market. Moreover, despite expectations that the housing market would improve by 1%, the National Association of Realtors; Pending Home Sales Index contracted 0.5%. An anemic economic recovery is also keeping overall demand weak and it is expected that U.S. gross domestic product (GDP) will slow to just below 2% (U.S. GDP posted at 3% for Q4 2011). This holding pattern in demand will not be enough to put a dent into the historical natural gas storage levels.

In light of these market conditions expect contract price lower bands to slide to $1.85/$1.90.

Prices in Dollars Per Gallon

Date	U.S. Average	East Coast	New England	Central Atlantic	Lower Atlantic	Midwest	Gulf Coast	Rocky Mtn	West Coast	California
3/28/2011	$3.9320	$3.9520	$4.0950	$4.0610	$3.8920	$3.8830	$3.8570	$3.9590	$4.1550	$4.2560
4/4/2011	$3.9760	$3.9820	$4.1090	$4.0920	$3.9230	$3.9320	$3.9050	$4.0170	$4.2090	$4.3230
4/11/2011	$4.0780	$4.0820	$4.1540	$4.2040	$4.0240	$4.0400	$4.0010	$4.0970	$4.3080	$4.3970
4/18/2011	$4.1050	$4.1110	$4.2120	$4.2290	$4.0510	$4.0680	$4.0330	$4.1260	$4.3190	$4.4400
4/25/2011	$4.0980	$4.1050	$4.2220	$4.2380	$4.0380	$4.0610	$4.0240	$4.1340	$4.3050	$4.4380
5/2/2011	$4.1240	$4.1280	$4.2310	$4.2690	$4.0590	$4.0860	$4.0600	$4.1560	$4.3280	$4.4650
5/9/2011	$4.1040	$4.1170	$4.2180	$4.2480	$4.0520	$4.0660	$4.0220	$4.1560	$4.3070	$4.4590
5/16/2011	$4.0610	$4.0750	$4.2070	$4.2100	$4.0050	$4.0150	$3.9960	$4.1340	$4.2480	$4.3710
5/23/2011	$3.9970	$4.0110	$4.1610	$4.1380	$3.9430	$3.9420	$3.9350	$4.1010	$4.2010	$4.2870
5/30/2011	$3.9480	$3.9620	$4.1210	$4.0820	$3.8970	$3.8960	$3.8840	$4.0200	$4.1610	$4.2270
6/6/2011	$3.9400	$3.9550	$4.1050	$4.0740	$3.8910	$3.8890	$3.8770	$4.0150	$4.1460	$4.2230
6/13/2011	$3.9540	$3.9680	$4.0870	$4.0880	$3.9050	$3.9050	$3.8960	$3.9880	$4.1630	$4.2450
6/20/2011	$3.9500	$3.9620	$4.0770	$4.0740	$3.9040	$3.9040	$3.8960	$3.9590	$4.1560	$4.2360
6/27/2011	$3.8880	$3.9140	$4.0380	$4.0140	$3.8600	$3.8420	$3.8340	$3.8850	$4.0690	$4.1460
7/4/2011	$3.8500	$3.8700	$4.0090	$3.9780	$3.8120	$3.8180	$3.7980	$3.8510	$3.9930	$4.0650

7/11/2011	$3.8990	$3.9260	$4.0120	$4.0340	$3.8720	$3.8750	$3.8560	$3.8380	$4.0120	$4.0990
7/18/2011	$3.9230	$3.9630	$4.0340	$4.0660	$3.9120	$3.9030	$3.8820	$3.8270	$4.0050	$4.1140
7/25/2011	$3.9490	$3.9880	$4.0370	$4.0900	$3.9400	$3.9250	$3.9130	$3.8480	$4.0380	$4.1450
8/1/2011	$3.9370	$3.9740	$4.0450	$4.0900	$3.9180	$3.9180	$3.9040	$3.8550	$4.0000	$4.1360
8/8/2011	$3.8970	$3.9360	$4.0310	$4.0530	$3.8770	$3.8750	$3.8680	$3.8510	$3.9490	$4.0670
8/15/2011	$3.8350	$3.8710	$4.0010	$3.9830	$3.8110	$3.8150	$3.8060	$3.8260	$3.8630	$3.9570
8/22/2011	$3.8100	$3.8440	$3.9940	$3.9440	$3.7880	$3.7890	$3.7720	$3.8150	$3.8550	$3.9280
8/29/2011	$3.8200	$3.8430	$3.9770	$3.9300	$3.7930	$3.8030	$3.7630	$3.8390	$3.9080	$3.9580
9/5/2011	$3.8680	$3.8860	$3.9940	$3.9870	$3.8330	$3.8520	$3.8000	$3.8900	$3.9810	$4.0580
9/12/2011	$3.8620	$3.8790	$3.9850	$3.9850	$3.8250	$3.8410	$3.7900	$3.9030	$3.9840	$4.0670
9/19/2011	$3.8330	$3.8530	$3.9830	$3.9680	$3.7920	$3.7990	$3.7650	$3.8920	$3.9770	$4.0620
9/26/2011	$3.7860	$3.8040	$3.9630	$3.9220	$3.7390	$3.7380	$3.7300	$3.8670	$3.9570	$4.0390
10/3/2011	$3.7490	$3.7650	$3.9410	$3.8810	$3.6990	$3.6990	$3.6930	$3.8460	$3.9270	$4.0070
10/10/2011	$3.7210	$3.7410	$3.9120	$3.8600	$3.6740	$3.6710	$3.6510	$3.8280	$3.9100	$3.9770
10/17/2011	$3.8010	$3.8150	$3.9070	$3.9220	$3.7610	$3.7540	$3.7260	$3.8850	$4.0100	$4.0530
10/24/2011	$3.8250	$3.8320	$3.9250	$3.9460	$3.7750	$3.7820	$3.7450	$3.9090	$4.0490	$4.0960
10/31/2011	$3.8920	$3.8860	$3.9350	$3.9940	$3.8360	$3.8660	$3.8080	$3.9590	$4.1070	$4.1630
11/7/2011	$3.8870	$3.8750	$3.9500	$3.9970	$3.8160	$3.8630	$3.7960	$3.9780	$4.1090	$4.2130
11/14/2011	$3.9870	$3.9640	$4.0300	$4.0850	$3.9060	$3.9870	$3.8820	$4.0930	$4.1710	$4.2700
11/21/2011	$4.0100	$3.9840	$4.0560	$4.1000	$3.9180	$4.0100	$3.9030	$4.1440	$4.1910	$4.2710
11/28/2011	$3.9640	$3.9530	$4.0450	$4.0570	$3.8820	$3.9490	$3.8590	$4.0940	$4.1420	$4.2240
12/5/2011	$3.9310	$3.9340	$4.0360	$4.0180	$3.8620	$3.9070	$3.8280	$4.0350	$4.1050	$4.1720
12/12/2011	$3.8940	$3.9170	$4.0320	$4.0030	$3.8300	$3.8480	$3.7940	$3.9910	$4.0610	$4.1220
12/19/2011	$3.8280	$3.8730	$3.9950	$3.9630	$3.7830	$3.7650	$3.7270	$3.9130	$3.9920	$4.0470
12/26/2011	$3.7910	$3.8400	$3.9730	$3.9250	$3.7520	$3.7060	$3.7080	$3.8610	$3.9780	$4.0390
1/2/2012	$3.7830	$3.8440	$3.9730	$3.9320	$3.7540	$3.6830	$3.7090	$3.8360	$3.9790	$4.0460
1/9/2012	$3.8280	$3.9080	$4.0290	$3.9960	$3.8200	$3.7170	$3.7500	$3.8430	$4.0260	$4.1110
1/16/2012	$3.8540	$3.9430	$4.0760	$4.0310	$3.8530	$3.7460	$3.7770	$3.8230	$4.0370	$4.1160
1/23/2012	$3.8480	$3.9380	$4.0770	$4.0300	$3.8430	$3.7360	$3.7740	$3.8170	$4.0370	$4.1210
1/30/2012	$3.8500	$3.9450	$4.0880	$4.0400	$3.8480	$3.7340	$3.7760	$3.8160	$4.0330	$4.1200
2/6/2012	$3.8560	$3.9480	$4.1010	$4.0460	$3.8460	$3.7510	$3.7750	$3.8170	$4.0360	$4.1280
2/13/2012	$3.9430	$4.0280	$4.1500	$4.1280	$3.9300	$3.8570	$3.8600	$3.8410	$4.1210	$4.2090
2/20/2012	$3.9600	$4.0530	$4.1610	$4.1420	$3.9660	$3.8480	$3.8860	$3.8570	$4.1640	$4.2580
2/27/2012	$4.0510	$4.1340	$4.2210	$4.2080	$4.0630	$3.9140	$3.9920	$3.9190	$4.3260	$4.4100
3/5/2012	$4.0940	$4.1670	$4.2530	$4.2430	$4.0940	$3.9740	$4.0200	$3.9860	$4.3720	$4.4540
3/12/2012	$4.1230	$4.1690	$4.2500	$4.2470	$4.0960	$4.0160	$4.0360	$4.0690	$4.4210	$4.4830
3/19/2012	$4.1420	$4.1840	$4.2590	$4.2690	$4.1060	$4.0400	$4.0530	$4.1190	$4.4310	$4.4810
3/26/2012	$4.1470	$4.1900	$4.2630	$4.2790	$4.1100	$4.0460	$4.0550	$4.1360	$4.4330	$4.4760


Diesel Fuel Pirces in Dollars per Gallon
52 Week Moving
Price per Gallon
$4.490
$4.404
$4.318
$4.232
$4.146
$4.060
$3.974
$3.888
$3.802
$3.716
$3.630
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
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8/15/2011
8/29/2011
9/12/2011
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10/10/2011
10/24/2011
11/7/2011
11/21/2011
12/5/2011
12/19/2011
1/2/2012
1/16/2012
1/30/2012
2/13/2012
2/27/2012
3/12/2012
3/26/2012
U.S. Average
New England
Central Atlantic
MidWest
Gulf Coast
West Coast
California
Linear (U.S. Average)

Fruits/Nut Markets

Eastern US worried by frost alerts
Growers across the eastern United States, who have been warning for weeks that their fruit was getting ready to bloom - or in some case actually blooming - far too early, have seemingly been vindicated, though it's not the news they wanted. There have been frost warnings across large areas, which could cause damage to immature fruits, buds and early blooms. In the Shenandoah Valley one of the owners of Woodbine Farm market, Harman Brumback, said, "We're very concerned. Your exposure is so much longer when you bloom this early. Before, in the past, we would have a few warm days, but nothing like the stretch of warm weather we've had this year. This is the earliest I've ever seen things bloom."

Peaches in the area have already progressed beyond bloom, apples have started to blossom and plums are already in full swing.

Harman isn't alone in claiming that the early flowering is unprecedented. Michigan farmer, Frank Rochowiak, member of the Wayne County Farm Bureau, said, "I'm 72 years old and I've never in my lifetime seen weather this warm, this early. All the cherry trees are blossoming now and shouldn't be...This could be a devastating problem for our fruit growers."

He said that it was touch and go right now. "All we need is one night of frosts and it will kill a lot of buds." Likewise Todd West, one of the owners of Ohio based West Orchards, said, "I think we're going to get hurt and I'm afraid that the damage is going to be pretty substantial and maybe the apples will take the hardest hit."

In the west of New York State, in Niagara County, strawberries, apples, peaches and plums are all well advanced in comparison to the average season, some of them by around 6 weeks.

Elaine Becken of Becken Farms said of the fruit, "It's just too early. They'll be fried. They'll freeze. They're too young, too tender."

***Blueberries*—Blueberry values net growers more returns**
The 2011 wild blueberry harvest results have been calculated by the U.S.D.A. at 83.1 million pounds. The 2010 crop was around 83 million pounds so there was a rise, if only, relatively speaking, a small one. The last two crops might have been very close, but growers were paid considerably more in 2011 than the year before. Prices rose from $0.61/lb. to $0.85/lb. As a result of this the 2011 harvest was worth $70.1 million—42% more than the 2010 crop. The 2011 Canadian crop weighed in at 132.3 million pounds, a considerable rise from 2010 when it weighed 125 million pounds. The U.S.D.A. estimates the total, national crop at 428 million pounds, including 345 million pounds of cultivated varieties.

Oregon accounted for 65.5 million pounds of the cultivated berries, while growers in New Jersey and Georgia had yields of 62 million pounds in each state. Maine has 60,000 acres of blueberry barrens, with only half of those acres in production each year, given a two-year cultivation cycle. There are six companies in Maine that process, freeze and can wild blueberries, as well as one fresh-pack cooperative. An estimated 99% of all the berries harvested in Maine are frozen for use as a food ingredient.

***Peaches*—US: Texas peach harvest commencing May**
Texas is getting ready to harvest its peaches early this year. After a good chill period the warm first months of 2012 has brought out the blossoms early. Gillespie is the largest peach-producing county in Texas, with more than 1,500 acres in commercial peach production. The typical peach tree can produce three to four 50-pound bushels of peaches in a year. Ripening dates usually run from early-mid may for Springold and bicentennial varieties. All will be well provided the trees can avoid a late frost.

***Apples*—US: 56 million bushels apples in holdings**

The U.S. Apple Association reported that as of March 1, 2012 there were 56.0 million bushels of fresh apples in domestic storage reflecting a 4% increase over March 1, 2011. Increased Red Delicious holdings accounted for much of the increase, but Granny Smith holdings were also up by over 3% and Gala holdings were up by almost 16%. This is in spite of reported stable apple movement through the North American winter with growers earning per pound prices consistently higher than they earned for the 2010 crop and higher than the average per pound price earned by growers over the last five years.

Total U.S. Fresh Apple Holdings

As at March 1, 2012

(Expressed in '000's of 42 - pound units.)

	1-Mar-12	1-Mar-11	% Change
Red Delicious	21,479	18,490	16.17%
Golden Delicious	6,480	6,972	-7.06%
Granny Smith	6,607	6,408	3.11%
Gala	8,495	7,342	15.70%
Braeburn	788	1,664	-52.64%
Fuji	5,796	7,202	-19.52%
Pink Lady	1,449	1,718	-15.66%
Jonagold	439	439	0.00%
All others	4,514	3,821	18.14%
All Varieties	56,047	54,056	3.68%

***Strawberries*—US (CA): Uncertain future for strawberry producers**

Beneath the soil in the Pajero Valley lurk one of agriculture's greatest challenges - pathogens, the possess the potential to cut drastically into productivity and profits. For several years, the growers there have been combating the problem with methyl bromide, which is on its way out. Although, at this stage, despite large scale investments, alternatives have not proved successful.

That's why there is surprise from some quarters the pulling from sale of what seems to be the only effective solution - methyl iodide or, to use its brand name, Midas. Methyl iodide was not a perfect solution (as application of it was limited).

"There won't be anything as good as (methyl bromide)," said Tom AmRhein, a veteran Pajaro Valley strawberry grower and an executive with Salinas-based Naturipe Berry Growers. "We've spent enough years and time and money on this thing to know you are just not going to be able to have that level of production and quality that you have now."

However, the decision of Arysta LifeScience to pull methyl iodide from the market - for reasons which they stress are economical—has pleased those who were opposed to the chemical's usage.

"Now is the time for California leadership to seize this opportunity to help farmers transition away from the fumigant pesticides generally, and toward cutting-edge agriculture," said Paul Towers, a spokesman for Pesticide Action Network. AmRhein said that Arysta's decision not only puts methyl iodide out of reach, but likely will stymie other research. "The days of innovation in fumigants are drawing to a close," he said. "Politically, in California, it's a fight people don't want to fight." Strawberry growers are not expecting an immediate effect - they have become used to making do with less and less effective chemicals as methyl bromide use has diminished.

Methyl bromide is being phased out under an international treaty known as the Montreal Protocol. Developed countries were expected to eliminate its use by 2005, developing countries by 2015. But the global agreement allows for exemptions when feasible alternatives are not available, though a smaller amount is permitted every year. In 2012, international agreements call for use in the United States to drop to 4% of 1991 levels. Next year's permitted levels will be slightly more than half that. However, the even as usage declines traces of residual methyl bromide remain in the soil - it's when this is gone and there are still no alternative brought to the marketplace that the problems are likely to start.

AmRhein compared the situation to a person who has worked to get in shape. “If you get lazy, you don't get fat overnight,” he said. “In a couple, two or three crop cycles, then you have problems.”

Some say this all points to the viability to an organic future - it's already a $30 billion industry nationwide and growing fast. "It's possible for anybody to make the switch," said Jake Lewin, California Certified Organic Farmer's chief certification officer. "Every commodity where people said it can't be done, it's being done."

However, currently, with a value in the region of $26 million, agriculture represents only a fraction of the county's total agricultural value, which is in the region of $500 million. Conventionally produced strawberries alone account for $197 million. Conventional growers say organic farmers can't match their volume. Carolyn O'Donnell, spokeswoman for the California Strawberry Commission, questioned whether there was enough farmland to make strawberry production viable using only organic methods. For one thing, rotation requirements, she said, would put land off-limits in some years.

AmRhein said that strawberries would no longer be the abundant and affordable produce that people know now, if production was to go exclusively organic. The commission, which spends about $1.5 million each year investigating fumigant alternatives, is putting its efforts into finding new production techniques. The experiments haven't led to a solution yet, said Dan Legard, the commission's research director, though there's "promise." But growers need more than a maybe, he said. With $20,000-per-acre up-front costs, a grower can't afford to lose a field of strawberries to disease.

Strawberries— **US (NC): Strawberries come early**
The North Carolina Strawberry Association has officially declared that this year's crop will be 10 days to two weeks earlier than usual. This is the result of a mild winter and an early spring. Many farmers in the state are saying that this is the earliest they have picked in recent memory. Sam Hall of Bush-N-Vine Farm in York, S.C. said, "Our two main things now are not to get too cold and not to get too hot." Too many days in the upper 80s and low 90s will stop strawberry plants from flowering and would bring the season to an end quicker.

Other crops are also expected to start earlier. Blueberries and peaches are moving ahead quickly, too, said Kevin Hardison of the N.C. Department of Agriculture.

Even more difficult to predict than the weather though, are the prices. North Carolina’s crop is generally worth about $25 million to farms. However, a longer harvesting period could mean lower prices. However, a sudden change in the weather now could mean higher prices. The biggest part of the problem, according to growers, is consumer perceptions. "People from the north think 'June-bearing strawberries.' It’s April- and May-bearing strawberries around here."

Strawberries— **US: North Florida strawberries struggle against the south**
Much has already been said about the effects of the warm weather on strawberry crops in south Florida. The weather is now being repeated in the north of the state also. However, it has not produced similarly low prices or abundant fruit as drought and rising fuel costs and upped the cost of irrigation. An unseasonably warm winter that produced an early and bountiful strawberry crop in South Florida is repeating in North Florida, but it has not produced similarly lower prices as drought and higher diesel prices have raised irrigation costs. Although the strawberry crop quality is strong this year, prices are up from a year ago with pints at $1.69 compared with $1.29 a year before and flats at $17

compared with $13. As a result of the drought, one farm in Alachua had to spend a whopping $5,000 per week on diesel to run irrigation equipment. And despite the higher running costs, the farm has to maintain low prices. Even in the face of rising costs, growers faces too much competition from the south and from Mexico. South Florida has not only enjoyed an abundant crop from the weather they have been having - they have also increased acreage this year. Added to this is the influx of fruits from Mexico. This has led to a reduction in prices of strawberries at the consumer end of the market, where they are selling in the region of $2.15/lb., down $0.28/lb. from last year.