



Weekly Commodity Report October 15, 2010

Major Headline News

- The Department of Labor reports that consumer prices rose by 0.1% in September and have risen 1.1% over the past 12 months. The core index excluding food and energy was unchanged for both September and August. For the past 12 months the core index is up 0.8%, which is the lowest 12-month pace since 1961.
- Weather forecasts have some rain coming into the Midwest next week. The key wheat growing areas will have to wait until the following week though. This dryness is starting to raise concerns about next year's winter wheat yields.

Sugar/Sweeteners

Due to good weather the last several weeks the US sugar beet harvest is progressing nicely. The sad thing is that as tight as sugar supplies are right now in the US, due to EPA guidelines we will still plow under some beets this year. The good thing with the early start it may not be as many as first thought.

Rumblings are that another round of new crop sugar price increases is coming. If you remember we were reporting 54 cents a pound for shipments in October, November and/or December of this year and then the number would fall to around 47 cents for January, February and March of 2011. It sound like a 5 cent a pound price increase for bulk refined sugar to 52 cents a pound will be announced shortly.

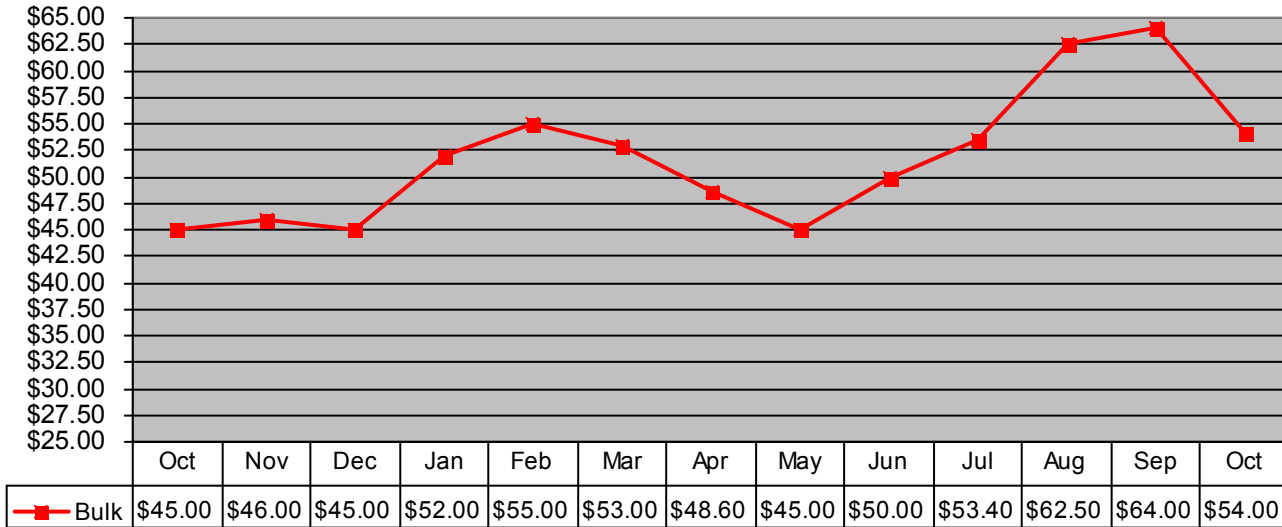
A story in the Wall Street reports that U.S. sugar production will be cut by about 20% if farmers are banned from planting genetically modified beets next year. This is part of the data be pulled together by the U.S. Department of Agriculture as part of a court case over whether to continue allowing the practice of using genetically modified beets or not. If farmers can't plant genetically modified seeds next spring, a shortage of traditional seeds would likely cut 1.6 million tons from next year's sugar-beet crop, according to a declaration by the USDA prepared by Daniel Colacicco, director of the department's dairy and sweetener analysis group.

As it stands right now, farmers **cannot** use GMO seeds for next year's crop. A final decision must be reached by next March when farmers start planting next year's crop to avoid delays in planting. This has the potential to really knock sugar prices out of the park next year as US supplies would dip dangerously low. Should the ban hold we would need the USDA to raise the import levels and Mexico to come through with a bigger sugar crop than they are currently reporting to avoid outrageous prices and supply shortages. In other words, stay tuned.

All of the major corn sweetener producers have come out with the Pricing Letters for next year and most are \$4.00 to \$4.50 per hundredweight higher than last year due to higher corn prices and strong export sales. Current product supplies are very tight and it doesn't sound like any of the producers are looking to take on new accounts for next year.

	10/08	10/01	09/24	09/17
Bulk Cane Sugar (with no freight)	\$54.00	\$54.00	\$64.00	\$64.00
Bulk Beet Sugar (with no freight)	\$54.00	\$54.00	\$64.00	\$64.00

Bulk Cane Sugar \$/cwt (No Frt.)



Corn

Corn prices closed lower on Friday after traders received a disappointing export sales report and as the dollar reversed higher. The December corn future closed at \$5.63 a bushel. Exporters sold 46.5 million bushels of corn in the week ending October 7, but that included just 35.7 million bushels of old-crop corn in a week that saw prices break sharply lower. That proved disappointing to traders who were expecting weekly totals as high as 80 million bushels.

	10/15	10/08	10/01	09/24
December Corn (\$/bu.)	\$ 5.63	\$ 5.28	\$ 4.66	\$ 5.22

Oils/Shortening

The December soybean oil contract closed at \$.4777 up 115 points for the week and the December soybean meal closed up \$12.00 at \$328.20 per ton. The soybean oil market moved higher again last week. Higher corn and soybean prices, a weaker dollar, solid soybean export numbers and commodity fund buying supported the market. Buyers and traders remain skeptical of the USDA’s soybean yield reduction to 44.4 bushel per acre on their September report. As the harvest continues to rapidly expand, reports of better than expected average yields continue to flow in which means the USDA will be forced to change their forecast next month.

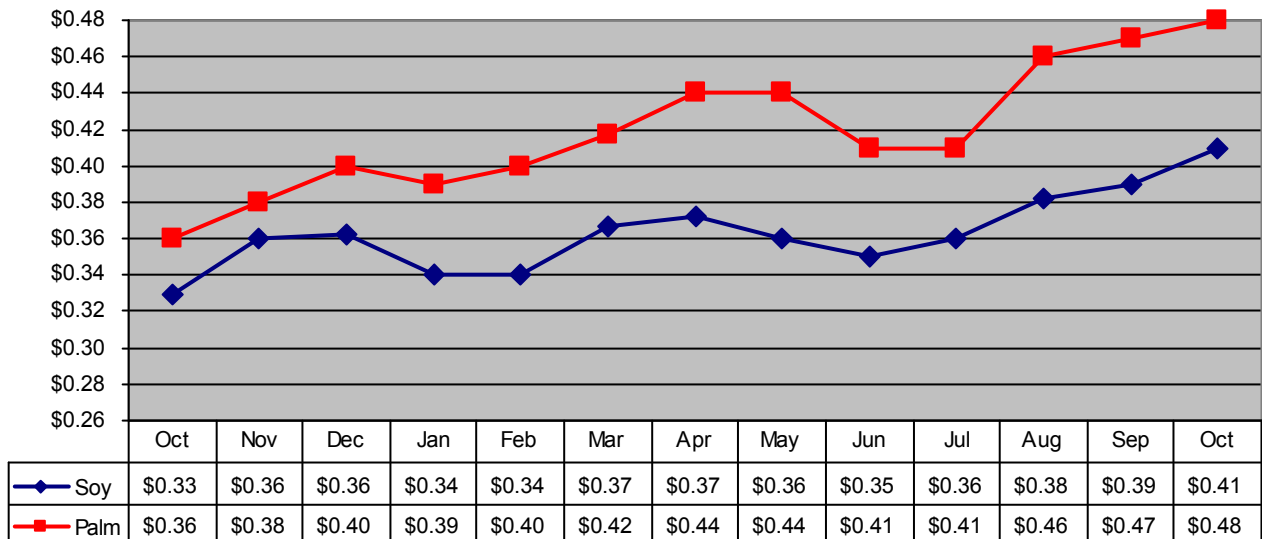
China continues to be a big buyer of U.S. and South American soybeans. Chinese soybean imports for the 2009/2010 crop year were up over 20% to a record 50.34 million metric tons. The USDA is projecting Chinese imports of 55 million metric tons for the 2010/2011 crop year which just started.

The Australian Oilseeds Federation cut its forecast for this year's canola crop by 8.2% on Friday. Australia is one of the world's major exporters of canola. Shortly after the Australian announcement the Canadian farm ministry lowered their forecast for canola by 400,000 metric tons. Excessive rain and a cool growing-season are expected to reduce the harvested area and expected yields.

Palm oil prices were mostly higher last week with the rally in soybean futures propelling gains. Exports for the first 15 days of October were within or slightly better than expectations, preventing a sharp fall in prices. Investors were concerned that slower purchases of palm oil by international buyers could lead to a surge in end-month inventory levels, which would weigh on palm oil prices.

	10/15	10/08	10/01	09/24
Bulk Soybean Oil (cents/lb.)	\$.4450	\$.4325	\$.4050	\$.4215
Canola Oil (cents/lb.)	\$.5250	\$.5150	\$.4875	\$.4950
Palm Oil (cents/lb.)	\$.4950	\$.4800	\$.4750	\$.4700
Lard (cents/lb.)	\$.4800	\$.5200	\$.5000	\$.4500

Soybean vs. Palm Oil



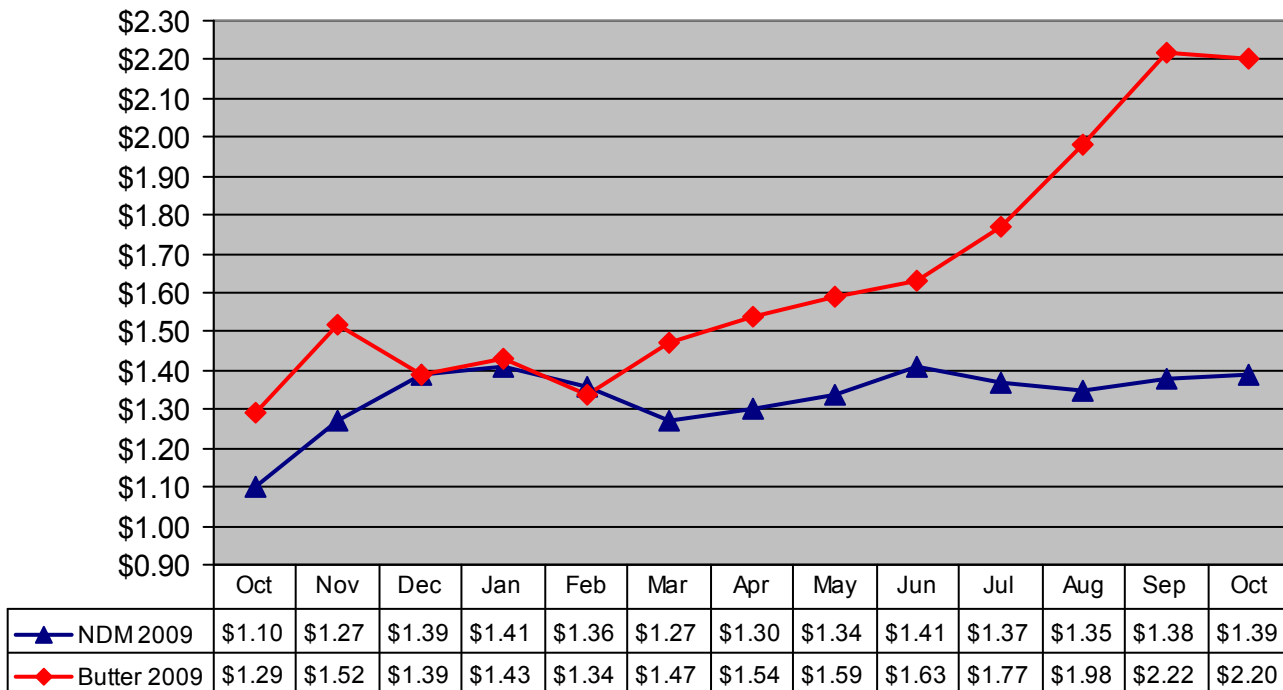
Dairy

Butter sales continue to be steady, with more retailers said to be planning features over the coming holidays. In the west, buyers are reported to be holding back, hoping for lower prices. Reports of more cream becoming available to manufacturers seem to be pretty consistent, but producers continue to be reluctant to produce beyond what they have current orders for. August exports of butterfat products totaled 13.3 million lbs; this year is shaping up to be the second highest for butter exports, behind 2008's levels. The amount of butter and milk fat in cold storage at the end of August was 43 million pounds lower than the month before and 108 million pounds below a year earlier. Still, CME's February futures price for butter is \$.58 per lb below the current spot market price so there is hope that butter prices will move lower after the holiday season.

Despite some production of dry buttermilk powder being up slightly, prices continue to hold steady to slightly higher. Exports of Nonfat Dry Milk and skim milk powder in August totaled 78.8 million lbs (58% of what was produced during the month), which is 17 million lbs higher than this year's monthly average. 2010 looks to be the second highest year for exports of nonfat powders. Whey prices moved up slightly due to tighter supplies.

	10/15	10/08	10/01	09/24
Butter (cents/lb.)	\$2.19	\$2.19	\$2.24	\$2.22
NDM-Hi heat (cents/lb.)	\$1.40	\$1.39	\$1.37	\$1.37
Dry buttermilk (cents/lb.)	\$1.38	\$1.36	\$1.30	\$1.28
Whey Powder (cents/lb.)	\$0.39	\$0.38	\$0.37	\$0.38

Dairy Prices



Wheat

On Friday the December Kansas City hard red winter wheat futures closed down 13 1/2 cents for the week at \$7.45. The Chicago soft wheat futures closed down 14 3/4 cents at \$7.04 1/2, while the Minneapolis hard red spring December futures closed down 10 1/2 cents at \$7.54 per bushel. For the week the wheat markets closed marginally lower, but Chicago wheat has now gained over \$2.00 bushel! Higher corn and soybean prices along with weakness in the U.S. dollar continued to provide underlying support to wheat prices. Most buyers have been jumping into the market on any price pullback to add to their coverage.

The weekly export sales of all wheat was below the range the market expected which is surprising based on the weakness of the US dollar and so many European countries issuing tenders for wheat.

Winter wheat harvest is progressing very well, but there is growing concern that dry soil conditions will negatively impact seed germination which could reduce next year's winter wheat crop production.

	10/15	10/08	10/01	09/24
Kansas City December	\$ 7.45	\$ 7.59	\$ 6.89	\$ 7.58

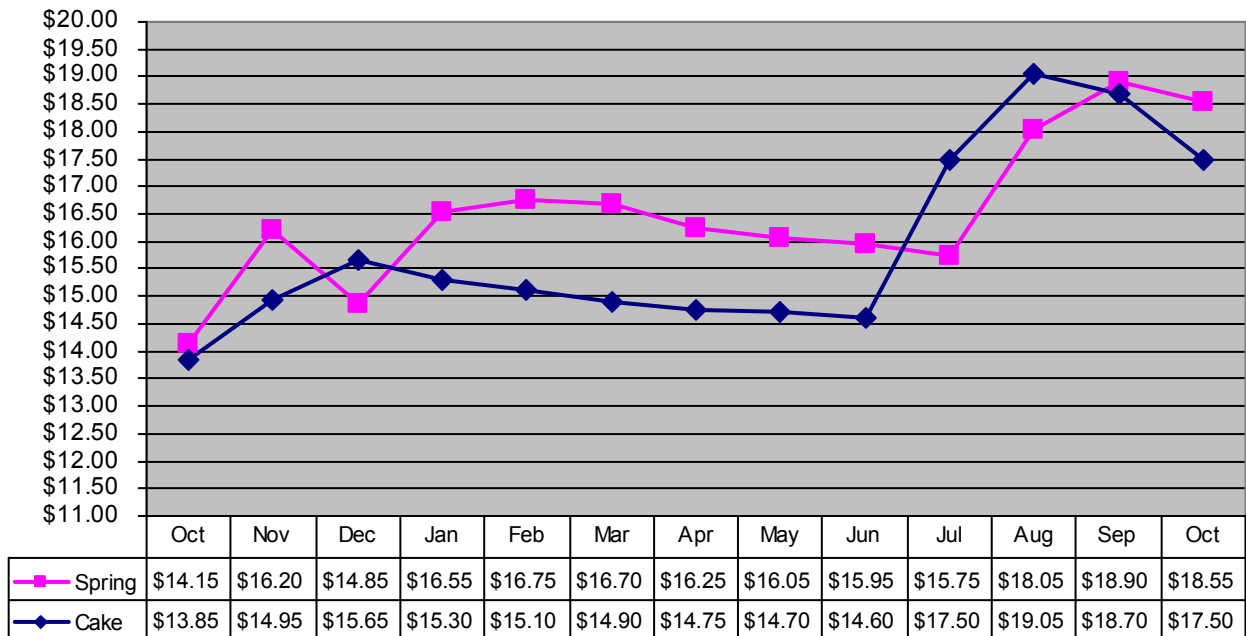
Chicago December	\$ 7.05	\$ 7.19	\$ 6.55	\$ 7.20
Minneapolis December	\$ 7.54	\$ 7.65	\$ 7.06	\$ 7.62

Flour

Flour sales remained erratic last week, with prices moving higher for the hard spring flours while hard red winter and soft flour prices moved slightly lower. Even with the lower prices, flour buyers aren't too excited about where flour prices have gone and are reluctant to cover their needs past November or December at these higher levels.

	10/15	10/08	10/01	09/24
Spring Patent (\$/cwt)	\$19.90	\$19.35	\$16.45	\$18.85
High Gluten (\$/cwt)	\$22.90	\$22.55	\$19.45	\$21.85
Kansas City (\$/cwt)	\$17.60	\$17.70	\$15.40	\$17.25
Cake Flour (\$/cwt)	\$17.85	\$18.10	\$16.60	\$18.10

Bulk Flour



Cocoa

Demand for cocoa beans by European chocolate makers suffered its weakest third quarter since 2006. Europe's cocoa grind, which measures the use of the cocoa beans by chocolate confectioners, fell by 4.0% below 332,000 ton in the July-to-September period. This fell on the heels of news that North American cocoa grind was only 1.6% from last year when the market had been expecting a much larger increase.

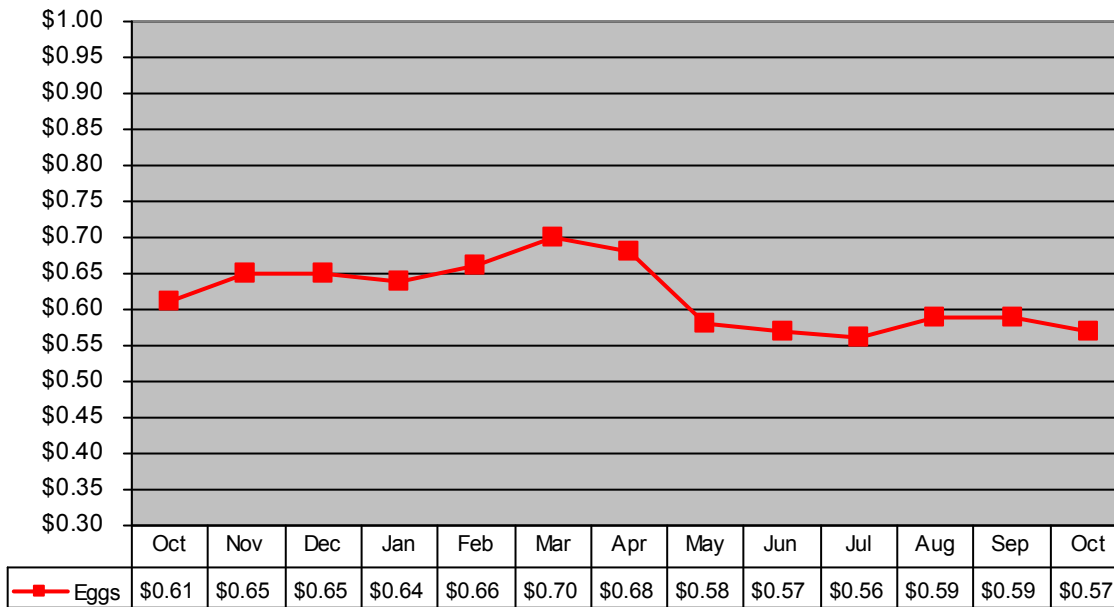
Eggs

Retail demand for shell eggs showed more improvement last week as more and more retailers started advertising eggs for the upcoming holiday season. As expected the increase in demand for shell eggs is raising the price for breaking stock as well. Breaking stock prices were up 9 cents a pound last week and are expected to move higher over the next several weeks.

Egg products prices were a mixed bag last week, with raw liquid yolk prices moving slightly higher, but dried whole eggs moved down 5 cents. The good thing about the recent influx of breaking stock eggs is that the egg product inventory is in better shape than last year, so if prices move higher they shouldn't move as much as last year at this time.

	10/15	10/08	10/01	09/24
Frozen Whole Liquid Eggs (\$/lb)	\$0.57	\$0.57	\$0.57	\$0.57
Frozen Liquid Yolks (\$/lb.)	\$0.85	\$0.85	\$0.85	\$0.89
Frozen Liquid Whites (\$/lb.)	\$0.55	\$0.55	\$0.55	\$0.55
Dried Whole Eggs (\$/lb)	\$2.20	\$2.25	\$2.25	\$2.25
Dried Yolks (\$/lb.)	\$1.75	\$1.75	\$1.75	\$1.80
Dried Whites (\$/lb.)	\$3.85	\$3.85	\$3.85	\$3.85

Whole Frozen Eggs



Energy

Nearby natural gas prices moved lower on Friday on reports of building stocks and more production. On highway diesel was steady at \$3.07 a gallon last week on higher crude oil prices. Experts are saying we should see lower prices after the Thanksgiving holidays. They don't give a reason so I wouldn't take it to the bank, but with no demand and plenty of crude it is odd that prices are moving higher.

	10/15	10/08	10/01	09/24
Natural Gas	\$3.53	\$3.65	\$3.79	\$3.74
National Diesel	\$3.07	\$3.07	\$3.00	\$2.95



And the



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