

Weekly Commodity Report

July 23, 2010

Sugar/Sweeteners

Domestic raw sugar futures made some impressive gains last week, topping 35 cents a pound for the September contract. The price for new crop sugar though stayed around 30 cents a pound, reflecting the market's belief that there will be some relief from a larger US 2010/11 crop. But the fact that "old crop" prices keep moving higher indicates just how tight US domestic sugar supplies are becoming. Even after the USDA raised the import quota, the trade thinks the majority of that sugar won't make it to the US and be refined in time to meet the September cutoff date. Bulk refined prices stayed firm at 53 to 55 cents a pound bulk basis fob mill. Some resellers are quoting higher prices and specialty sugars like 12X or browns are seeing much higher prices too.

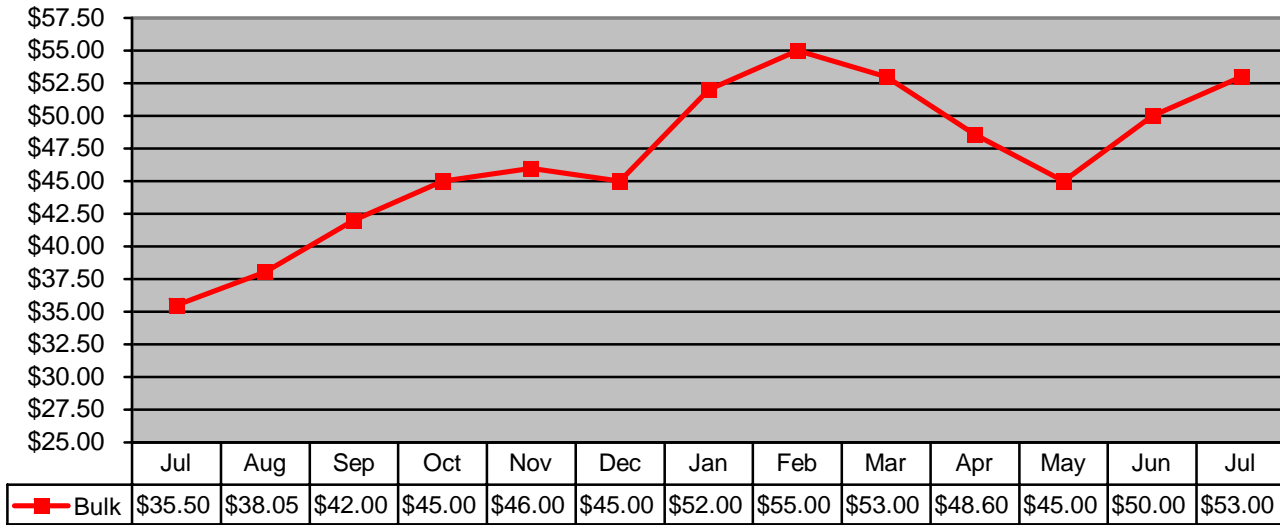
This year's beet crop is making great progress and the thinking is that farmers will be in the fields earlier than last year which will help with overall production. In fact beet crop conditions improved last week and are better than last. If you remember last year was cold and wet well into harvest time and farmers got into the fields late and ran out of time to harvest the crop and had to plow beets under. This year looks like just the opposite, if the weather continues to work with us.

Shipping problems in Brazil continues to have a trickledown effect on global supply and force more countries out into the market to buy their near term needs. This constant shopping has helped push world raw sugar prices higher with October sugar futures hitting 18.26 cents a pound on Friday.

Like the US, world sugar supplies should improve later in the year. India has been getting some beneficial monsoon rains and this will help alleviate some of the deficit supply picture around the world going forward.

	07/23	07/16	07/09	07/02
Cane Sugar (No frt. /50# bag)	\$28.50	\$28.50	\$28.50	\$25.50
Beet Sugar (No frt. /50# bag)	\$28.50	\$28.50	\$28.50	\$25.50

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



Corn

The corn rally ran out of steam last week. By Friday the September corn future closed down 24 cents a bushel from the previous week at \$3.71 ¼ a bushel. The weather moved from threatening to supportive and crop conditions held steady. This convinced a lot of people that the yield per acre could be as high as 163.5 bushels with some thinking we will be closer to 165 bushels plus per acre. We still have to get through August, but with recent rains the hope is that is enough soil moisture to get a good jump on getting production numbers up.

	07/23	07/16	07/09	07/02
Corn (\$/bu.)	\$ 3.71	\$ 3.95	\$ 3.84	\$3.64

Oils/Shortening

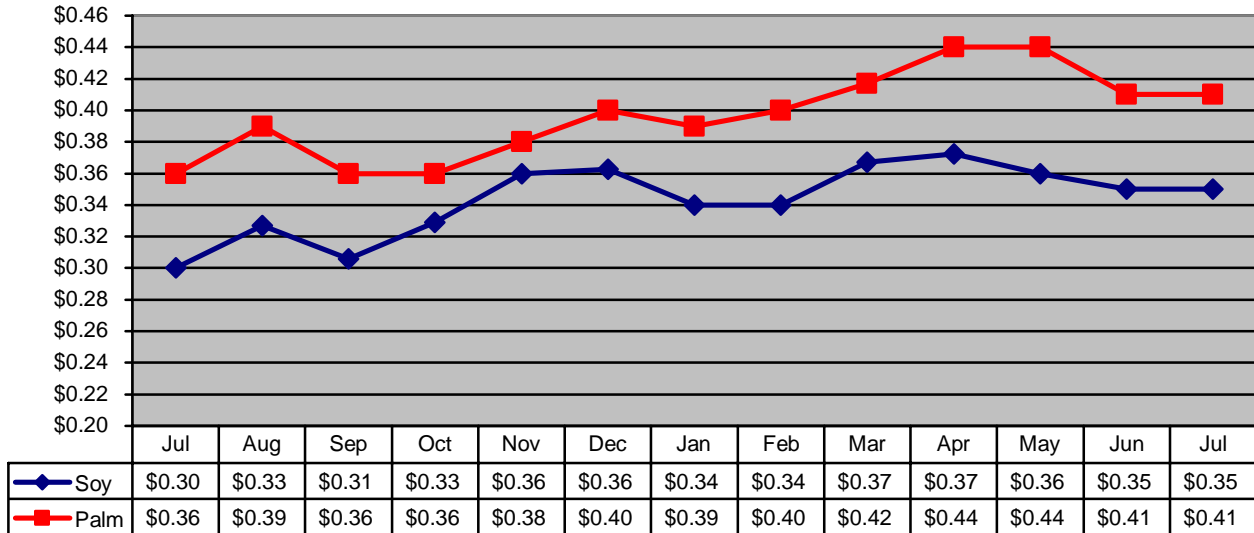
August soybean oil contract closed up 76 points at \$0.3907 a pound while the August soybean meal contract closed down \$7.90 per ton at \$299.90 on Friday. Soybean oil prices reached prices not seen since May last week driven by firmer crude prices, weaker US dollar, concerns over August weather and of course our old friends the commodity fund buyers. There is real concern that smaller canola and sun seed crops around the world will drive many buyers back to soybean oil, thus increasing demand. As we enter into the critical pod filling stage of crop development, the weather will garner most of the attention. There is an old saying that “beans don’t like wet feet,” so we really need to get some drier weather over the next several weeks or face lower yields come harvest time. Our friends in China continue to buy US new crop beans at a rapid pace, so it is important that the US have another bumper crop for 2010/11 to keep with demand.

Canola seed prices are moving higher and this is pushing oil basis levels higher. The net result is that canola oil prices are moving higher and will for the foreseeable future.

The bullish influence of soaring crude oil prices and higher soybean oil futures sent palm oil prices higher last week as well. There was also a lot of buying activity and production forecast numbers for July came in lower than previously reported.

	07/23	07/16	07/09	07/02
Bulk Soybean Oil (cents/lb.)	\$0.3650	\$0.3575	\$0.3500	\$0.3350
Canola Oil (cents/lb.)	\$0.4575	\$0.4375	\$0.4300	\$0.4050
Palm Oil (cents/lb.)	\$0.4250	\$0.4100	\$0.4000	\$0.4000
Lard (cents/lb.)	\$0.3450	\$0.3450	\$0.3500	\$0.3500

Soybean vs. Palm Oil



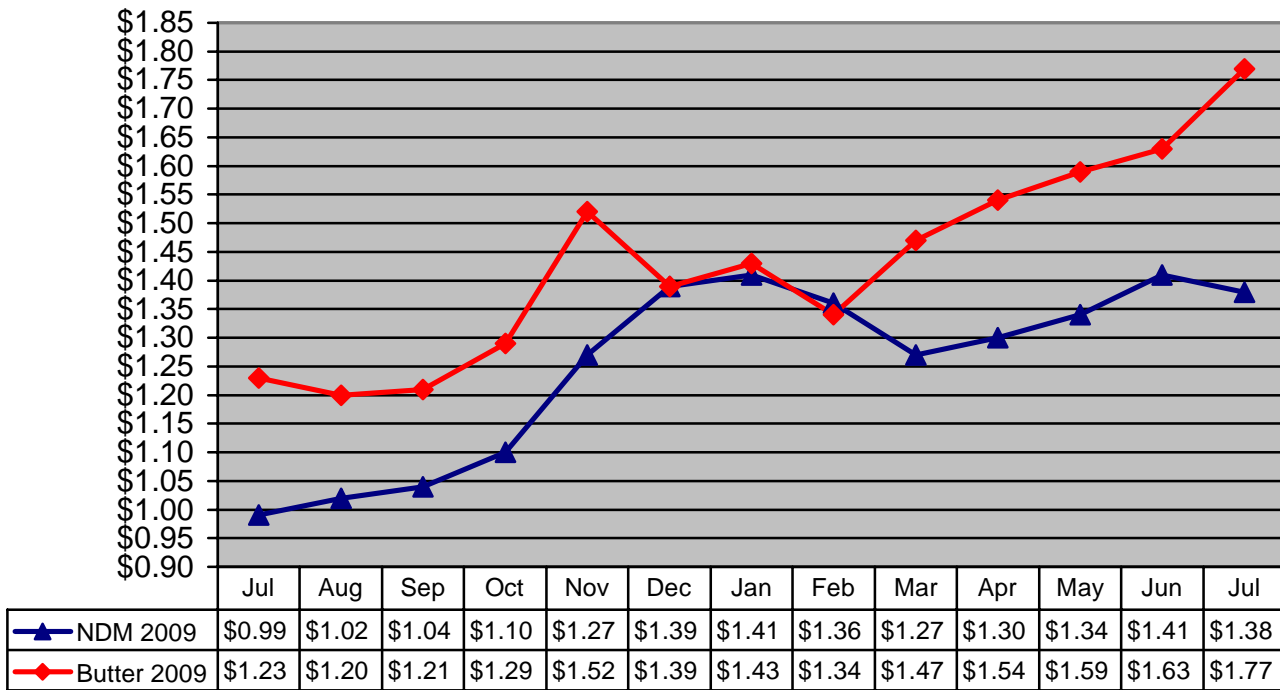
Dairy

Butter futures inched higher again on Friday closing at \$1.79 a pound. In the first five months of the year, U.S. butterfat exports averaged 2.0 million lbs. per week, up 128% from last year, aided by U.S. commodity prices that ran well below foreign prices. However, foreign butter prices have held steady to weaker over the last 10 weeks, while U.S. prices have increased nearly 20¢ to close the gap. USDA's Dairy Market News reports New Zealand/Australia butter trading for \$1.63-\$1.95/lb. this week. European butter markets remain tight, with prices being reported between \$2.13-\$2.27/lb. On June 30, U.S. butter stocks were 25% below year-ago levels.

Nonfat dry milk prices were lower last week while buttermilk and whey prices were unchanged.

	07/23	07/16	07/09	07/02
Butter (cents/lb.)	\$1.79	\$1.78	\$1.75	\$1.74
NDM-Hi heat (cents/lb.)	\$1.36	\$1.37	\$1.38	\$1.40
Dry buttermilk (cents/lb.)	\$1.20	\$1.20	\$1.20	\$1.20
Whey Powder (cents/lb.)	\$0.37	\$0.37	\$0.37	\$0.37

Dairy Prices



Wheat

On Friday the September wheat futures closed up 9 cents in Chicago at \$5.96 ¼, up 17 cents in Minneapolis at \$6.28 1/2 and up 16 cents in Kansas City at \$6.15. Wheat prices moved higher last week driven by concerns over numerous reductions in world wheat production. Commodity funds fell in love with all the action and were aggressive buyers of wheat last week as well. This is all stemming from an announcement by Russia that it would release 3 million metric tons of feed and milling wheat from its reserve to meet demands. This announcement came sooner than the trade had anticipated and sent concerns through the market that Russia and Europe would reduce production even further in the coming weeks. The strange thing is that even with all these reduction in production numbers, the world has wheat and so does the US. Even stranger is that the US continues to miss out on world tender offers because our wheat is too expensive, but yet the prices move higher.

The winter wheat harvest is 71% complete and the ratings for spring improved last week and export sales are slowing as expected at these high prices.

	07/23	07/16	07/09	07/02
Kansas City (\$/bu.)	\$ 6.15	\$5.99	\$ 5.53	\$ 5.16
Chicago (\$/bu.)	\$ 5.96	\$5.87	\$ 5.38	\$ 5.03
Minneapolis (\$/bu.)	\$ 6.29	\$6.11	\$ 5.63	\$ 5.31

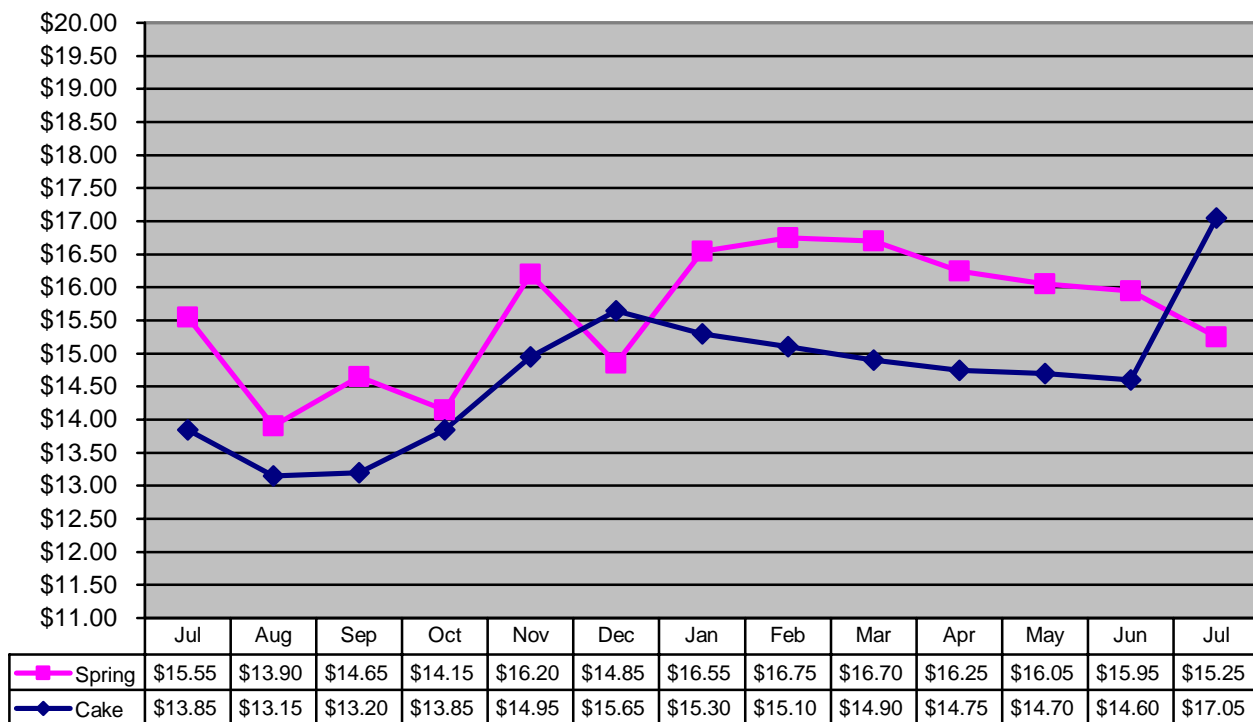
Flour

As expected flour sales were minimal last week. Soaring wheat prices pushed flour prices higher everyday last week and nobody bought unless they really needed to. The market is just totally ignoring the fact that the US has plenty of wheat and seems to be fixated on lower production numbers out of Canada and Russia as an indication that wheat supplies are reaching critical levels.

The only upside for flour buyers last week was that basis numbers for spring and hard wheat flours continued to weaken. Soft flour buyers were not so lucky, as basis numbers continue to reflect tightening supplies of good quality soft wheat.

	07/23	07/16	07/09	07/02
Spring Patent (\$/cwt)	\$15.85	\$15.35	\$14.90	\$14.90
High Gluten (\$/cwt)	\$18.85	\$18.25	\$17.90	\$17.90
Kansas City (\$/cwt)	\$14.80	\$14.75	\$13.85	\$13.55
Cake Flour (\$/cwt)	\$18.00	\$17.80	\$16.60	\$15.85

Bulk Spring Flour



Oats

Believe it or not Canada actually raised the quality of this year's crop last week to 76% good to excellent versus last year's 23%. Both Alberta and Saskatchewan reported improvements last week. The US reported good harvest progress and all this translated into lower oat future numbers last week.

	07/23	07/16	07/09	07/02
Oats (\$/bu.)	\$ 2.55	\$2.68	\$ 2.65	\$ 2.43

Cocoa

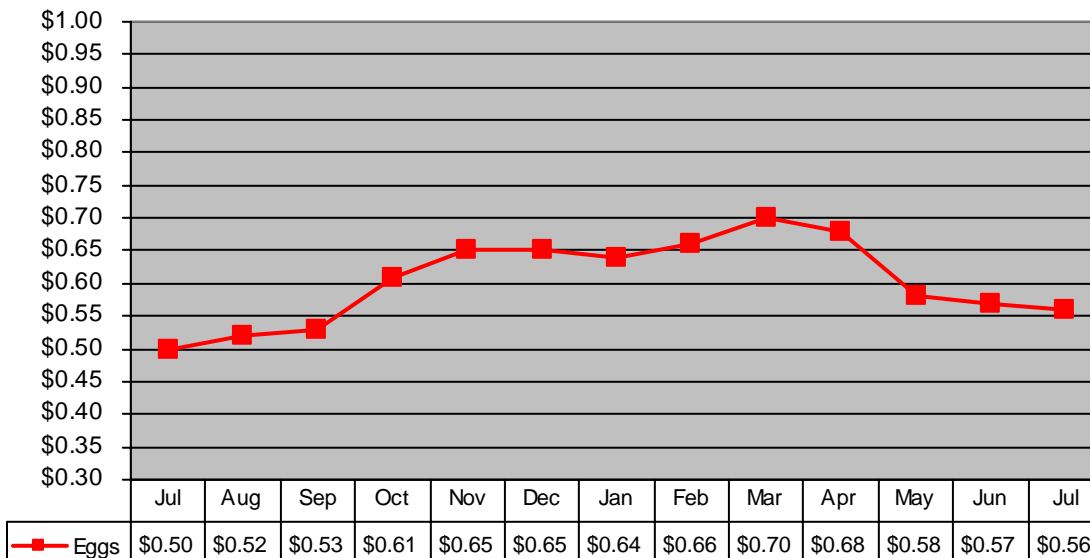
September cocoa futures ended the week down at \$2,966 despite Ivory Coast deliveries running behind last year by 1.4%. Cocoa butter ratios held steady last week while powder ratio dropped slightly. Still refined cocoa prices are holding steady and deliveries are running behind.

Eggs

Breaking stock egg prices were steady last week trading between 42 - 43 cents a pound. Egg product prices were steady as well except for the yolks. USDA is reporting that dried egg inventories are down compared to last year due mainly to higher export sales and demand for yolks has remained high.

	07/23	07/16	07/09	07/02
Frozen Whole Liquid Eggs (\$/lb)	\$0.56	\$0.56	\$0.56	\$0.56
Frozen Liquid Yolks (\$/lb.)	\$0.83	\$0.82	\$0.80	\$0.80
Frozen Liquid Whites (\$/lb.)	\$0.53	\$0.53	\$0.53	\$0.53
Dried Whole Eggs (\$/lb)	\$2.20	\$2.20	\$2.00	\$2.00
Dried Yolks (\$/lb.)	\$1.60	\$1.60	\$1.55	\$1.55
Dried Whites (\$/lb.)	\$3.75	\$3.75	\$3.75	\$3.75

Whole Frozen Eggs



Energy

Tropical storm Bonnie fell apart as it hit Florida and had no impact on the Gulf last week yet crude oil prices ended the week 4% higher. Continued warmer than normal temperatures across the country kept cooling demand at near capacity which drove natural gas prices higher.

	07/23	07/16	07/09	07/02
Natural Gas	\$4.58	\$4.51	\$4.42	\$4.68
National Diesel	\$2.91	\$2.89	\$2.90	\$2.93