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Outlook 2013—Rebalancing on a Tightrope

Agri Commodity Markets Research

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Dear Valued Client,

We are proud to provide you with our Agri Commodity Markets Research *Outlook 2013—Rebalancing on a Tightrope.*

As the year comes to a close, the supply of many agri commodities is at historically low levels. Capacity constraints, adverse weather and strong global demand have caused some prices to reach record highs in 2012, creating uncertainty around how markets will respond in 2013. High price levels and increased volatility highlight the increased need for market knowledge, foresight and strategic planning.

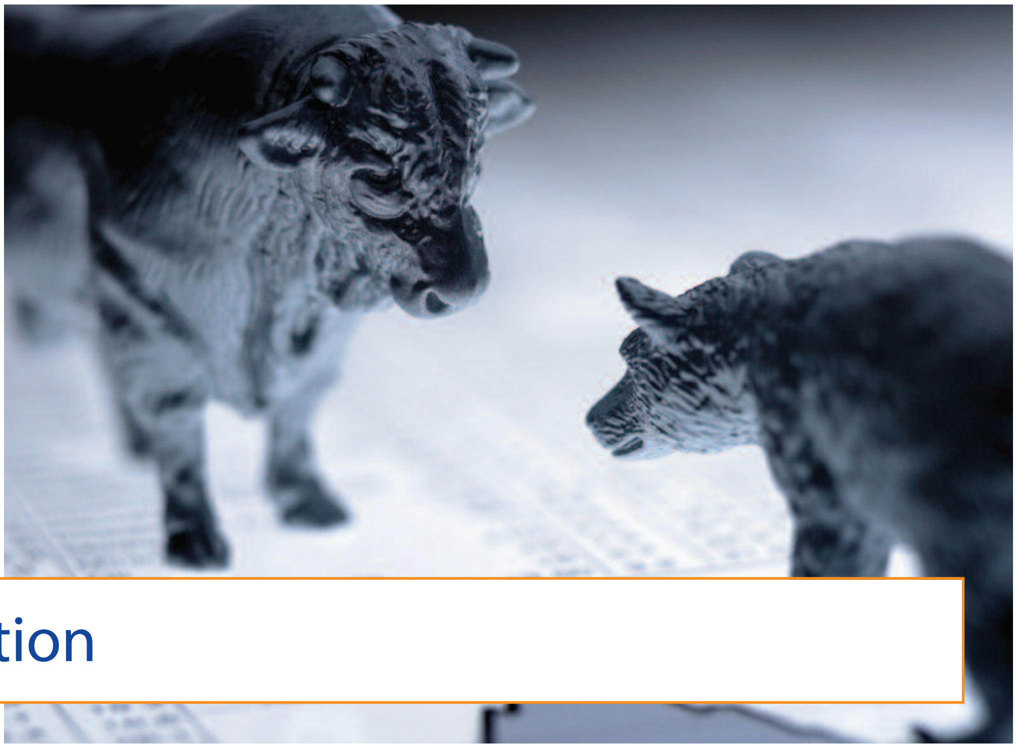
Our outlook for 2013 suggests that the volatility in agri commodity prices looks set to continue into the foreseeable future. Whatever your role is in the Food & Agri supply chain, be it primary producer, processor or retailer, you face challenging times. And we are here to face them with you.

We hope you find our research and price forecasts useful as you prepare your plans and strategies throughout the year. This report is a key example of the work we provide to help support our clients through a dedicated team of specialised Food & Agri analysts around the world.

Wishing you great wisdom and insights in these challenging times.

With kind regards,

Sipko Schat
Member of Executive Board, Rabobank



1 Introduction

Agricultural markets are faced with the challenge of rebuilding global stocks next season given precariously balanced fundamentals. In order to achieve a build in stock levels in 2013, we expect prices—particularly in grain and oilseed markets—will need to move higher in Q1 to slow demand from its current pace. Higher prices during this period should also encourage increased global production, resulting in a rebalancing of fundamentals and a weaker price outlook for 2H 2013. The soft commodity markets offer more of a mixed bag in 2013, with a relatively neutral to bearish outlook for prices. Using the S&P Agri Index as a proxy for our commodity forecasts, we expect a decline in agricultural prices of around 10% between Q1 and Q4 2013. However, it is the lack of buffer stocks which leaves the market exposed to another season of extreme uncertainty and high volatility.

Consistent with recent years, the outlook for the agri commodity complex is clouded by global macro uncertainty, although we do not expect a material slowdown in demand for agricultural commodities. Rabobank forecasts world GDP to increase 3.75% in 2013. Confidence levels continue to be adversely affected by the eurozone crisis and the drag it is having on the labour market, trade and, ultimately, growth in markets around the world. Compounding the global uncertainty is the outlook in the US, with the fiscal cliff and impact of Hurricane Sandy threatening to destabilise what is already a sluggish recovery.

Figure 1.1: Rabobank's 2013 agri commodity price forecasts

		Q1'12	Q2'12	Q3'12	Q4'12f	Q1'13f	Q2'13f	Q3'13f	Q4'13f
Wheat (CBOT)	USc/bu	643	641	871	870	910	775	735	700
Wheat (Matif)	EUR/tonne	210	212	256	270	290	245	217	204
Corn	USc/bu	641	618	783	740	790	700	625	600
Soybeans	USc/bu	1,272	1,426	1,677	1,450	1,475	1,400	1,350	1,300
Soy oil	USc/lb	53	52	54	48	49	50	50	49
Soymeal	USD/ton	339	413	514	450	450	425	375	350
Palm oil	MYR/tonne	3,245	3,225	2,884	2,360	2,800	3,000	2,800	2,700
Sugar	USc/lb	24.6	21.2	21	19.5	19	19	18.5	18.5
Coffee	USc/lb	205	170	172	157	160	170	175	170
Cocoa	USD/tonne	2,308	2,222	2,438	2,450	2,500	2,450	2,550	2,550
Cotton	USc/lb	93	81	73	65	65	65	70	70

Source: Rabobank, Bloomberg, 2012

Perhaps the greatest impact this ongoing macro uncertainty will have on agricultural markets will be transferred through speculative money flows. Heightened uncertainty in recent seasons has produced regular cycles of risk-on/risk-off trading patterns, and this appears likely to continue in the absence of a clear recovery in confidence levels. Any adverse development in a major economy would likely trigger renewed risk-off trading over the coming year.

Grain and oilseed price outlook

- Grain and oilseed prices are squeezed higher in 1H 2013
- Prices are to ease in 2H 2013 as rebounding production causes a small global surplus
- Tight global supplies leave prices vulnerable to production setbacks

Grain and oilseed prices are forecast to rally in Q1 2013 as a supply squeeze builds pressure and prices are forced higher to ration demand. Current use levels, particularly for corn, wheat and soybeans, appear to be running too fast given the sub-optimal 2011/12 crops in both the US and South America. Higher prices early in the new year will also be important to encourage record plantings of row crops in the US during 2013. Prices are expected to fall from Q1 forward as production rebounds, shifting fundamentals into a small surplus. However, lingering drought in the US and southern Russia remains a key risk to this surplus and our production and price forecasts for 2013.

Low inventory levels in the grain and oilseed markets leave prices exposed to high volatility and the risk of further production issues. Price risk management for producers and consumers will need to

Figure 1.2: Rabobank's 12-month outlook for prices from current levels

PALM OIL	Palm oil prices will rise as stocks are drawn down from record high levels.
COFFEE	Arabica prices will rebound on reduced supply, with Robusta higher on growing demand.
SOY OIL	Strong US biodiesel demand for soy oil is likely to cause prices to increase.
COCOA	Supply deficit and increasing demand will support cocoa values.
COTTON	Over-abundant stocks and a large harvest will send prices lower and shift land out of cotton.
SUGAR	Third consecutive surplus weighs on sugar markets but ethanol will keep prices from collapsing.
SOYBEANS	Record high global soybean production due to improved weather and increased plantings in South America will likely prove bearish.
CORN	Corn prices will rally from current spot prices into Q1 2013 before easing in Q4 2013 on record production.
WHEAT	Wheat prices are expected to fall as production in the Black Sea region rebounds but low stocks will increase upside risk.
SOYMEAL	Higher global soybean production and slowing soymeal demand are likely to prove bearish for prices.

Source: Rabobank, 2012

be prudent as prices will be highly sensitive to weather developments, government intervention and macro uncertainty.

While we expect a decline in grain and oilseed prices, our price forecasts do not suggest a collapse in prices in 2H 2013. Despite a record 196 million tonne production increase in corn, wheat and soybean production, Rabobank forecasts that the combined global stocks-to-use of these commodities will rise by just 1.9 points to 19.9%. Therefore, we expect 2013/14 stocks-to-use to remain below 2011/12 levels, highlighting the fact that the rebalancing of fundamentals will require multi-season surpluses in order to rebuild global inventories.

Soft commodity price outlook

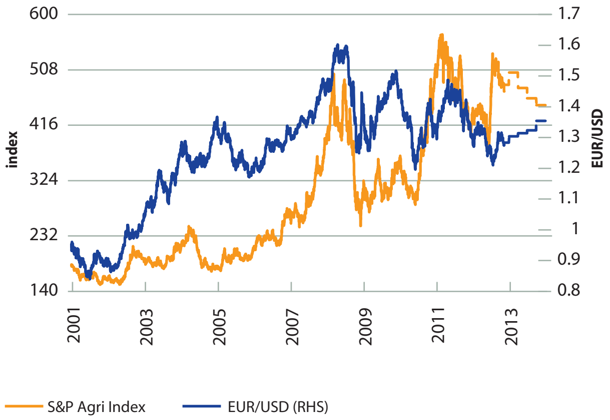
- The outlook is neutral to slightly bearish in most markets
- Fundamentals are balanced or in slight surplus
- Range-bound trading will continue in 2013

The outlook for prices in the soft commodity markets—sugar, cocoa and cotton—is neutral to slightly bearish in 2013. Fundamentals in these commodities are more balanced, and in some cases (e.g. sugar and cotton), surpluses have been built over recent seasons. Despite the support of a weaker US dollar, a number of soft commodity prices are forecast to fall to multi-year lows in 2013.

Current prices are mostly in line with our fair value expectations, and forward curves are reflective of our forecasts for the year ahead. The balanced fundamental outlook suggests more range-bound trading—as seen in 2H 2012—should continue. A trigger, such as a weather event, major policy shift or geopolitical event, would be needed to see a substantial readjustment of our forecasts in 2013.

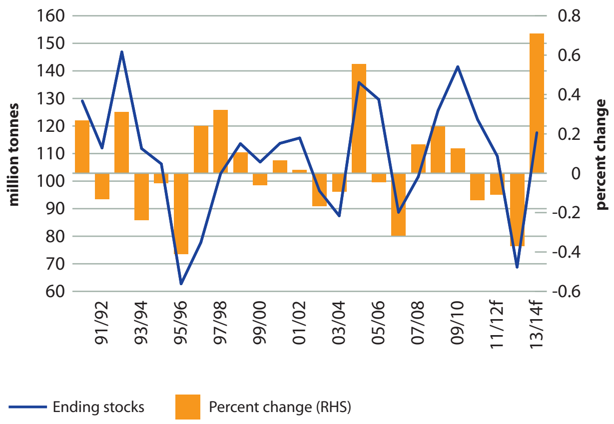
The soft commodity markets have realised increased supply due to high prices in 2010 and 2011, with the record coffee, cotton and sugar crops in 2011/12. The increased supply resulted in strong downward corrections as coffee, cotton and sugar were the three worst performers of liquid agricultural commodities in 2012. Therefore, the softs have already moved through the cycle we expect for the grain and oilseed sectors in 2013. The softs markets have now fallen near levels we deem as fair value, and we expect unwinding of investor short positions and commercial buying to keep markets flat or supported in 2013.

Figure 1.3: The S&P Agri Index is expected to decline next year—despite being supported by a falling US dollar



Source: Bloomberg, Rabobank, 2012

Figure 1.4: Stocks of wheat and corn held by major exporting nations are expected to increase significantly in 2013/14—helping prices to ease



Source: USDA, Rabobank, 2012

Our price forecasting performance last season

The past 12 months have been a mixed bag in terms of price forecasting accuracy.

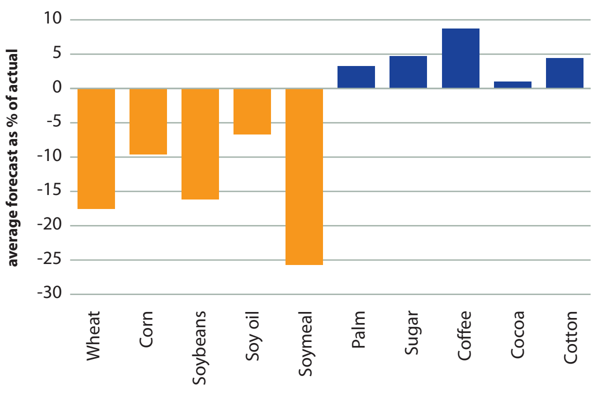
In our *Outlook 2012—Down, But Not Out* (released December 2011), we outlined expected key themes for the year ahead.

1. Economic slowdown
2. Speculators and the US dollar
3. Policy risks
4. Capacity constraints

From a fundamental viewpoint we expected prices to decline in 2012 but remain above historical averages. The key themes we highlighted did in fact play a large role in shaping 2012 price direction. The US dollar has continued to trend lower, speculators' bullish bets on grains and oilseeds reached new highs, and policy changes continued to reshape markets. However, the key price driver in 2012 was adverse weather and the resultant inability for global grains and oilseeds production to meet global demand, which pushed some prices to new record highs. This was largely driven by the worst US drought in more than 50 years, which caused our price forecasts for grains and oilseeds to be too low on an absolute basis in 2012.

Our most bullish pick for 2012 was soymeal, while our most bearish expectation was for coffee. Our directional view held up well: soymeal prices rose 39% and coffee prices fell 37%. Compared to actual price moves, our wheat, soybean and soymeal price forecasts were on average 15%-25% too low. However, our forecasts for cotton, sugar and cocoa were within 5% of the actual annual prices.

Figure 1.5: 2012 forecast results show we underestimated bullish grain and oilseed moves



Source: Bloomberg, Rabobank, 2012

Figure 1.6: Rabobank 2012 forecasts (December 2011) vs. actual prices

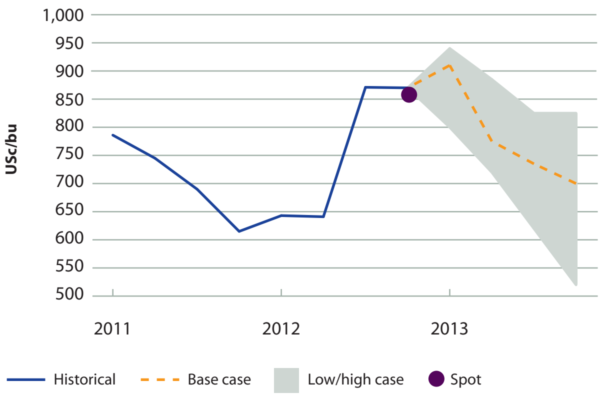
		Rabobank Dec 2012 forecasts				Actual			
		Q1'2012	Q2'2012	Q3'2012	Q4'2012	Q1'2012	Q2'2012	Q3'2012	QTD Q4'2012
Wheat	USc/bu	595	630	615	595	643	641	871	870
Corn	USc/bu	610	645	630	610	641	618	783	748
Soybeans	USc/bu	1,178	1,226	1,260	1,251	1,272	1,426	1,677	1,529
Soy oil	USc/lb	48.7	50.2	49.1	47.5	52.9	52.3	54.0	50.2
Soymeal	USD/ton	310	290	330	335	339	413	514	470
Palm oil	MYR/tonne	2,800	2,900	3,000	3,100	3,245	3,225	2,884	2,334
Sugar	USc/lb	23.5	23.0	22.0	22.0	24.6	21.2	21.0	20.1
Coffee	USc/lb	220	200	180	170	205	170	172	161
Cocoa	USD/tonne	2,350	2,450	2,350	2,300	2,308	2,222	2,438	2,407
Cotton	USc/lb	85	85	80	80	93	81	73	72

Source: Bloomberg, Rabobank, 2012

2 Agri Commodity Outlooks

WHEAT

	unit	Q2'12	Q3'12	Q4'12f	Q1'13f	Q2'13f	Q3'13f	Q4'13f
CBOT Wheat	USc/bu	641	871	870	910	775	735	700
Matif Wheat	EUR/tonne	212	260	270	290	245	217	204



Low case

La Niña allows Australian production to rise to a record high 30 million tonnes in 2013/14

Above-trend corn yields in the US see corn prices fall below USD 5.00/bushel—diminishing support for wheat prices

North American wheat production rises but is uncompetitive on the export market

Base case

Improved conditions see European and Black Sea production rebound to normal levels

Wheat feeding is scarce in the US as wheat's premium to corn is maintained above USD 0.70/bushel

Black Sea exportable surplus is tempered by the need to rebuild domestic stock levels

High case

Drought in the Black Sea region lingers, pushing 2013/14 production below trend

El Niño-related drought causes Australian wheat production to fall below 20 million tonnes in 2013/14

High CBOT Corn prices lead a CBOT Wheat rally

Source: Bloomberg, Rabobank, 2012

CBOT Wheat prices are forecast to rise to USD 9.10/bushel in Q1 2013 and then fall 23% to USD 7.00/bushel by Q4 2013. Stronger US corn prices in Q1 2013 are likely to support world wheat prices in the same period, reflecting the 4.6% QOQ uplift in our CBOT Wheat price forecast. But the Northern Hemisphere wheat harvest is expected to bring about a strong fall in prices from Q1 to Q2, provided production in the US, the EU and Black Sea region is within 5% of trend.

Wheat prices are forecast to maintain a premium to corn in order to limit wheat feed use in the US. We expect CBOT Wheat prices to maintain a spread of USD 0.75/bushel to USD 1.30/bushel over CBOT Corn prices throughout 2013. We believe the spread will decline to USD 0.75/bushel in Q2 due to harvest pressure from the winter wheat crop. Conversely, the spread is likely to rise to USD 1.10/bushel in Q3 as wheat harvest pressure wanes and the corn harvest begins. With total US feed demand nearly double the size of the domestic wheat crop, profitable wheat feeding could create significant incremental demand—with a drastic impact on already tight stocks.

Matif Wheat contracts are expected to average EUR 239/tonne during 2013, falling to EUR 225/tonne in Q4. The EU production decline of 6 million tonnes YOY to 131 million tonnes in 2012/13 has not yet been matched by sufficient reductions in demand. We still expect a 1% YOY increase in EU poultry numbers in 2013, and the issuance of wheat export licenses remains 3% above year-ago levels. As a result, 2012/13 stocks-to-use for EU wheat is expected to be a record low 5.6%, a 3.8 point decline YOY. This is the primary driver of increased spreads to CBOT Wheat prices and will push demand away from the EU to North America and Australia in early 2013.

We forecast Matif Wheat premiums to CBOT Wheat to be EUR 12/tonne in Q1 and EUR 10/tonne in Q2. However, with the EU 2013/14 wheat harvest forecast to be at a five-year high of 144.8 million tonnes, this spread could decline to EUR 3/tonne in Q3 2013 and back to parity by Q4 2013.

Major wheat exporting regions are forecast to see the lowest ending stocks-to-use on record of 11.3% in 2012/13, with the drawdown in buffer stocks likely to increase price volatility in 2013/14. Any supply shock in 2013 would thus have a large effect on wheat prices. However, downside volatility is enhanced by managed money net long positions of 48,431 contracts, well above the historical average of 10,374. Our forecast stocks-to-use in major exporting countries, up 3.9 points to 15.2% in 2013/14, highlights the risk of speculator liquidation as fundamentals turn bearish. Current implied volatility levels for December 2013 options remain 5 points under the 10-year seasonal average of 32%—too low given the fundamental risks.

US wheat production is expected to rise 3.9% YOY to 2,357 million bushels in 2013/14—the highest level since 2008/09. Winter wheat plantings in the US are expected to reach 43.4 million acres—the largest area since 2008 as wheat is substituted for cotton in the Southern Plains, particularly in Texas. However, only 39% of the 2013/14 winter wheat crop is in good or excellent condition, the lowest on record for this point in the year, reducing yield expectations to 46 bushels/acre—down 1.2 bushels/acre YOY. Subsequently, we expect US winter wheat production to reach 1,668 million bushels, up 23 million bushels YOY. Larger spreads to CBOT Corn and other competitors in the battle for acreage are forecast to support US spring and durum wheat area, up 1.3 million acres YOY to 15.8 million acres in 2012/13, with trend yields seeing production rise 62 million bushels YOY to 686 million bushels.

Wheat production in the Black Sea region is forecast to increase 23.9 million tonnes to 88.1 million tonnes in 2013/14, although production risk remains high. The expansion of Russian wheat production will be a key bearish influence in the grains complex, with harvested area expected to rise 3 million hectares to 25 million hectares—the largest since 2009/10. Ukrainian and Kazakhstani planted wheat area are also forecast to rise by a combined 1.3 million hectares, the majority of which is in Ukraine. The breakdown of forecast increases in wheat production in the Black Sea region is as follows:

- 53.2 million tonnes in Russia (+15.2 million tonnes YOY)
- 15.5 million tonnes in Kazakhstan (+4.5 million tonnes YOY)
- 19.4 million tonnes in Ukraine (+4.3 million tonnes YOY)

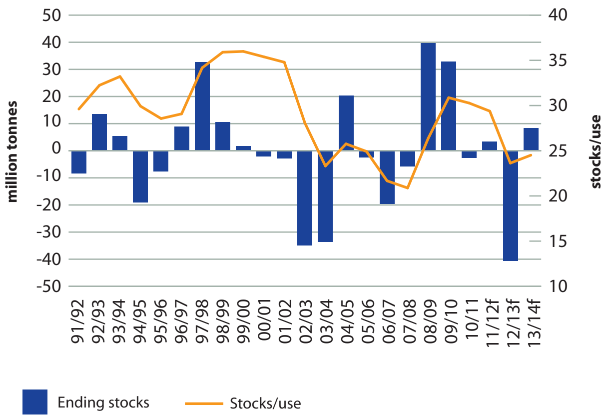
There is more upside to these estimates than usual as our yield estimates were tempered in parts of southern Russia by poor soil moisture and slow emergence in winter wheat areas.

However, exportable surpluses will be curtailed for the third time in five years due to the need to rebuild inventories after stocks-to-use was almost halved to 11.3% in 2012/13—a supportive factor for wheat prices in early 2013.

Global wheat feeding is expected to increase 2.6 million tonnes to 135.7 million tonnes in 2013/14. Improved corn availability should see wheat spreads return to near historical averages and discourage feeding. We believe that loosened restrictions on the types of corn that can be imported should increase corn exports to Europe. This should mean higher corn feed rates and lower wheat use, although the full impact will only be felt after several years. As a result, we believe EU wheat use will remain flat in 2013/14, while corn use for feed is expected to rise 3.5 million tonnes.

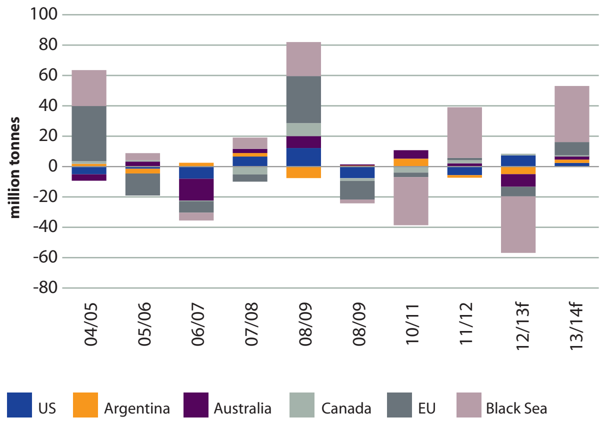
Global wheat stocks-to-use is set to rise 0.8% to 24.6% in 2013/14. This is a comparatively small increase in view of the large increase in planted area. We maintain our forecast stocks-to-use of 23.8% in 2012/13, 1.8 points below current USDA estimates. Production increases in 2013/14 should help avert the ninth global wheat deficit in 14 years, with high prices relative to other crops helping to expand acreage of crops planted in early-to-mid 2013.

Figure 2.1: Global wheat ending stocks and stocks-to-use are forecast to rise in 2013/14



Source: USDA, Rabobank, 2012

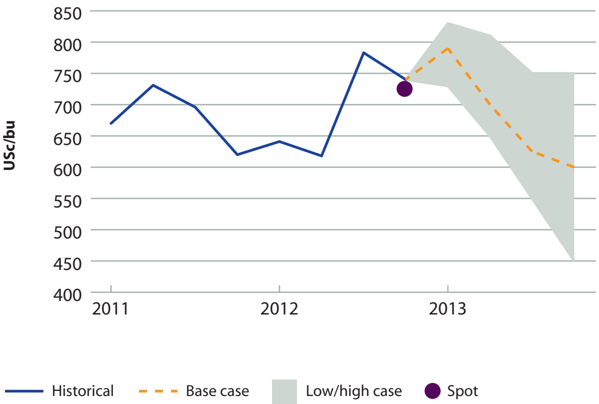
Figure 2.2: Wheat production in major exporting countries is expected to rebound in 2013/14 but significant production risks remain



Source: USDA, Rabobank, 2012

CORN

	unit	Q2'12	Q3'12	Q4'12f	Q1'13f	Q2'13f	Q3'13f	Q4'13f
CBOT Corn	USc/bu	618	783	740	790	700	625	600



Low case

US corn yields reach a record 169 bushels/acre

Renewable Fuel Standard is modified to substantially reduce US ethanol production

Above-trend South American production limits US corn export programme

Base case

Trend-line yields in the US see production rise 35% YOY to 14,100 million bushels

US ethanol demand rebounds to 5,050 million bushels

US feed and residual use rises to 4,800 million bushels

High case

Poor conditions result in US corn yields of 145 bushels/acre

Delayed planting tempers safrinha corn yields in Brazil

Crude oil prices above USD 120/barrel lift ethanol production above 4,500 million bushels

Source: Bloomberg, Rabobank, 2012

We expect CBOT Corn prices to fall 24% from Q1 2013 to average USD 6/bushel in Q4 2013 during the US 2013/14 harvest. Despite the bearish outlook, the beginning of 2013 is expected to see prices rise from current levels to encourage further demand rationing in the US. Our Q1 2013 forecast of USD 7.90/bushel is USD 0.70/bushel higher than implied by futures prices, with a rally expected to follow the USDA Grain Stocks report in January 2013. We believe this report will confirm further reductions in 2012/13 production and tighter stock levels versus current USDA estimates. The transition from Q2 to Q3 will likely be the most volatile period of 2013 as the US corn complex transitions from a strong deficit to a moderate surplus.

US corn production of 14,100 million bushels is the key factor in determining the CBOT Corn price decline in 2013/14—rebounding 35% from the drought-induced lows of 2012/13. We project that a record 97.6 million acres will be planted in the US, further displacing soybeans as CBOT Corn prices are forecast to outperform CBOT Soybeans ahead of US planting decisions in Q1 2013. Our state-by-state model suggests that the majority of the 0.7 million acre increase in planted area will be in the Northern Plains, displacing soybeans and wheat, and in the Delta, displacing cotton. Acreage increases are not expected in the Midwest, with disappointing corn-on-corn yields and strong wheat prices driving farmers to diversify via increased wheat and soybean plantings.

US stocks-to-use scenarios for 2013/14 support a wide range between our high-end CBOT Corn price forecast of USD 7.50/bushel and our low-end scenario of USD 4.50/bushel for Q4 2013. Our base case scenario shows stocks-to-use rising to 13.6% although we acknowledge significant risks to our return-to-trend yield forecast. We adopt a trend yield forecast of 157 bushels/acre for US corn in 2013/14, with a range between 169 bushels/acre and 145 bushels/acre encompassing two-thirds of likely outcomes.

Evidence from recent years suggests that the first decade of the new millennium produced benign yield variability and that yield volatility should be wider in future years, including 2013/14. Adjusting for demand elasticity, our yield scenarios imply stocks-to-use between 6.0% and 16.4% in 2013/14—supportive of the wide spread in our price scenarios. There is already heightened risk to yields in 2013/14 as 38% of the contiguous US remained in severe drought as at 6 November—14 points above year-ago levels. Despite these risks, market indicators suggest above-average levels of confidence in price outcomes, with the implied volatility of December 2013 CBOT Corn contracts 4 points under the historical average of 28% for November—which our analysis suggests is too low.

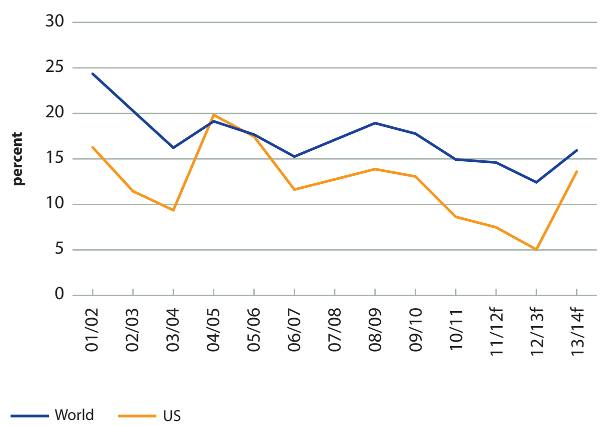
Record corn production in South America in 2012/13 is expected to contribute to price weakness. We forecast corn production in Brazil and Argentina to reach 97.3 million tonnes, although high yield volatility magnifies production risk relative to the US. Focus on South American production during Q1 2013 should help deferred corn futures shift lower than implied futures, with market focus shifting to the US in Q2. Compared to 2011/12, when drought significantly impacted yields in Argentina, these production forecasts represent an increase of 3.5 million tonnes for the region. We forecast production of 24 million tonnes in Argentina for 2012/13—4 million tonnes below current USDA estimates. Brazilian production is expected to be roughly flat YOY at 73.3 million tonnes as yields are tempered from above trend levels in 2011/12. Despite record production, the movement of more Brazilian land to double-cropping (planting corn after soybeans) increases production risks.

We expect Chinese import demand to reach 5 million tonnes in 2013/14, 3 million tonnes above USDA estimates for 2012/13 and a supportive factor for prices. CBOT Corn price declines in mid-2013, due to US and South American harvests, are expected to be tempered by 'buy the dip' procurement from China, with domestic production unable to meet growing demand. Ongoing industrialisation of the animal protein industry is expected to support feed demand growth in China. Despite slowing economic growth, we believe Chinese expansion is robust enough to support increases of 7% YOY in 2012/13. This would increase total Chinese feed demand to 141 million tonnes in 2012/13. Upside price risk from increased Chinese imports is significant as Chinese feed use is by far the largest source of demand in the global corn sector, and is 36% larger than total US corn feed use. Any significant decline in Chinese corn production in 2013/14 would have a substantial bullish effect on CBOT Corn prices as imports would rise. As US prices decline, we expect Chinese prices to remain supported by government policies, encouraging imports. This means profitable import margins are likely in 2H 2013, supporting an estimate higher than USDA forecasts.

Corn stocks in the US are likely to be minimal by 31 August 2013 as we believe the USDA continues to overstate US production, with feed demand running at an unsustainable pace. Demand for US corn has slowed, particularly from the ethanol sector and for export, but the pace of feed use is too high in view of current supply constraints. Total 2012/13 US corn production was 1 billion bushels below the previous year's total use, highlighting the need for immediate demand rationing, with only 988 million bushels of stocks entering 2012/13. Our calculations suggest that US domestic consumption, absent significant imports, must decline 11% YOY in 2012/13—well above current indicators of a 5% to 6% reduction YOY. The need to further ration feed and ethanol use to meet our targets, or encourage additional imports, is key to our forecast for a CBOT Corn rally in Q1 2013.

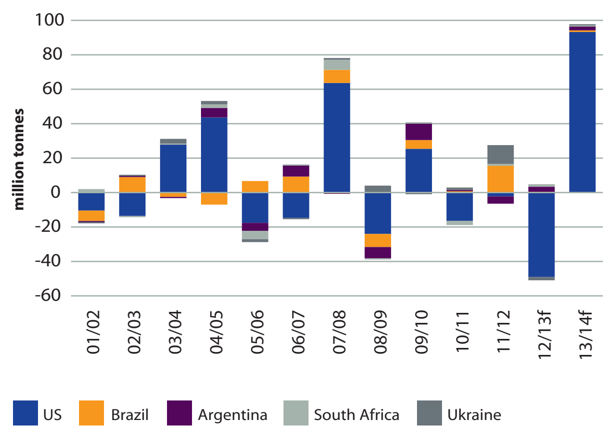
We expect global corn stocks-to-use to improve 3.5 points YOY to 15.9% in 2013/14, which is still substantially below the 10-year average of 17.2%. Strengthening global consumption of corn—up 59 million tonnes YOY to 911 million tonnes in 2013/14—is forecast to prevent stocks-to-use levels from recovering to long run average levels. We expect the largest ever YOY increase in world corn demand in 2013/14, 43 million tonnes above the previous record use in 2011/12. The majority of this increase will come from consumption growth in the US and China, 34 million and 13 million tonnes YOY, respectively.

Figure 2.3: World and US corn stocks-to-use are forecast to rebound in 2013/14



Source: USDA, Rabobank, 2012

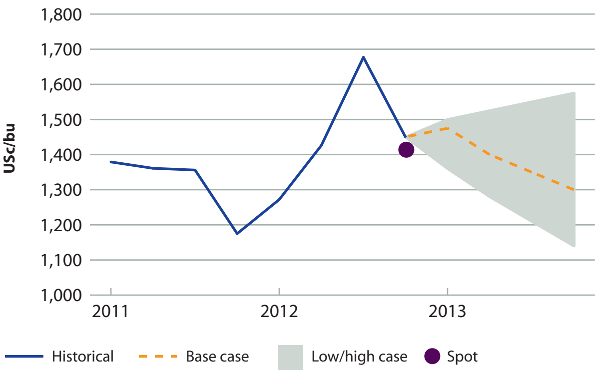
Figure 2.4: Corn production in major exporting countries is expected to see record growth YOY in 2013/14



Source: USDA, Rabobank, 2012

SOYBEANS

unit	Q2'12	Q3'12	Q4'12f	Q1'13f	Q2'13f	Q3'13f	Q4'13f
USc/bu	1,426	1,677	1,450	1,475	1,400	1,350	1,300



Low case	Base case	High case
Improved South American weather allows production in Brazil to exceed 81 million tonnes	Global soybean demand growth remains below the five-year average at 2% YOY	Poor weather causes Brazil's 2012/13 crop to drop below 78 million tonnes
China's import demand growth slows to less than 4% YOY	Record South American production	China's import demand grows more than 8% YOY
Strengthening US dollar and crude oil below USD 100/barrel slow global demand growth	China's import demand grows 6% YOY	Crude oil is above USD 120/barrel and global demand growth is higher than expected

Source: Bloomberg, Rabobank, 2012

Soybean prices are expected to remain supported in Q1 2013 on tight export supplies before declining as production rebounds later in the year, with prices for the year averaging below 2012 levels. In our view, the current global supply shortage of soybeans, a result of drought in both North and South America last season, has not been fully accounted for in prices. Although we expect record large South American production will come online in 2H 2012/13 and result in lower prices in 2013, we believe prices will rebound from current levels until this crop is available in March. The CBOT Soybean futures curve remains in backwardation, which indicates the market continues to price in higher supplies in 2013, although at values below our forecasts. We believe speculative liquidation has pressured prices in Q4 2012 below fair values and this may persist in the short term. Managed money has reduced its net long position in CBOT Soybeans by 50% from the record high 253,889 contracts reached in May 2012. However, its position remains 45% above the five-year average. This is in contrast to fundamentals which suggest global soybean supplies will remain tight in 2013 as production in the Americas is expected to rebound 38.8 million tonnes YOY in 2012/13, while global stocks-to-use will persist below 23% for a second consecutive year.

It will likely take multiple seasons to replenish global soybean supplies to adequate levels as weather and capacity constraints continue to hinder production. We forecast global stocks-to-use for soybeans at 22.1% in 2012/13—0.9 points below USDA's November forecast. This is despite our forecast for an increase in world production of 29 million tonnes (largely on South America's crop) reaching 266 million tonnes—a record high. Corn is forecast to continue winning the battle for acreage in the US, which will result in only a modest expansion in Northern Hemisphere soybean output. We expect China's demand will remain strong, rising to nearly 30% of global soybean consumption, up from only 15% 10 years ago. Seemingly inelastic demand from China will increasingly price other major importing countries out of the market and will also result in a historically high floor price for international soybean values. Even with trend yield assumptions, the global soybean balance sheet is likely to remain tight in 2012/13, leaving little room for error. Our forecasts are based on normalised weather in the new season, and if additional supply shocks are experienced, we see considerable upside risk to our price forecasts.

We expect South America's soybean output to recover 30% from year-ago levels to reach record levels in 2012/13 and be a bearish factor for prices. However, we believe Brazil's output will fall below USDA's November forecast of 81 million tonnes as our estimates show more modest area and yield expansions. We forecast Brazil's harvested area in 2012/13 to reach 26.9 million hectares, which would be the largest YOY increase in eight years, after record high prices have encouraged farmers to plant more. This is 642,000 hectares below USDA's expectations, and there is a risk that even our estimate is too high. Argentina's harvested area is also expected to increase, reaching a record large 20 million hectares in 2012/13. Yields are also expected to recover from last season's drought induced decline.

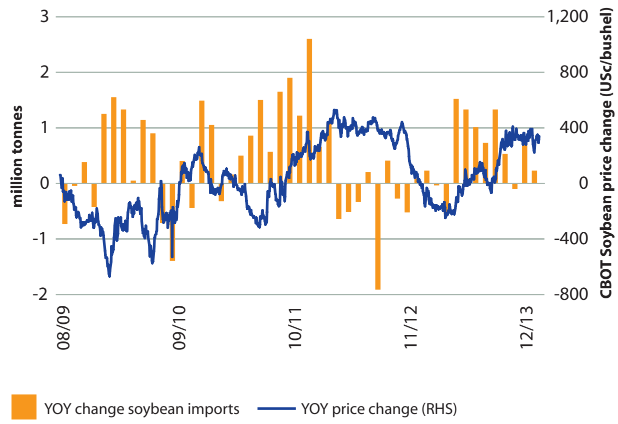
If trendline yields are achieved, Brazil's yield will be 11% higher YOY at 2.97 tonnes/hectare, and Argentina's will be up 30% YOY at 2.8 tonnes/hectare. As a result, we forecast Brazil's harvest to increase 13.3 million tonnes YOY to 79.8 million tonnes and Argentina's harvest to be 16 million tonnes higher YOY at 55 million tonnes.

Price volatility is expected to remain high as the world's dependence on South American supply increases. Relative to export supplies from the US, South American supply is less reliable given the inherent yield variability, increased political risk and greater logistical challenges. We believe that Q4 2012 price levels currently underestimate production risks and that the price response to any downward production estimates will be large. Adverse weather has delayed plantings and may cause yields to drop below trend. Furthermore, large export volumes will be needed to offset the drawdown in US stocks in early 2013, which will likely be bullish for prices. The delayed plantings and frequent logistical issues in both countries are likely to add to price and volatility upside in Q1 2013.

US soybean area planted is likely to decline slightly YOY in 2013/14, and we expect the price ratio to corn to remain below 2.3 in early 2013 in order to incentivise higher corn area. US soybean stocks-to-use are forecast to decline 0.8 points YOY to 4.6% as production falls to a five-year low of 2.98 billion bushels in 2012/13. Strong domestic crush, as a result of high soymeal demand, and a large export programme are likely to push ending stocks to the lowest level since 2008/09 at 189 million bushels. Despite this, we expect corn production in South America to show a smaller YOY increase than soybeans, which we expect will cause CBOT Corn prices to outperform CBOT Soybean prices ahead of US plantings—keeping the soybean-to-corn price ratio below 2.3. As a result, we forecast a decline in US soybean planted area of 400,000 acres to 76.8 million acres but expect that less abandonment will result in a 200,000 acre increase in harvested area to 75.9 million acres. A trend yield of 42.2 bushels/acre would result in US soybean production increasing 219 million bushels YOY to 3.2 billion bushels.

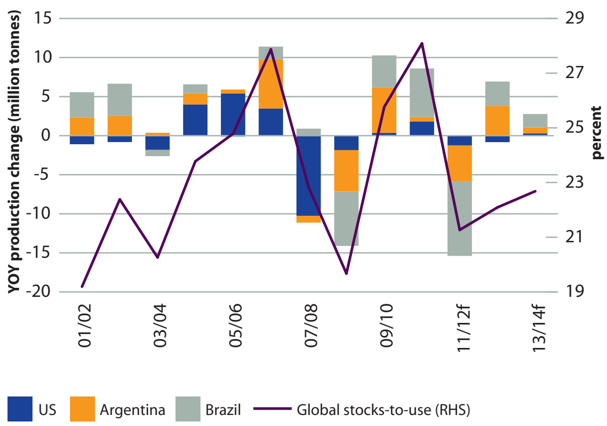
China's soybean import demand will be a key bullish factor for CBOT Soybean prices in 2013. We forecast China's soybean imports to rise 6% YOY to 62.5 million tonnes for 2012/13 and a further 7% in 2013/14 to 67 million tonnes. We believe China's structural shift towards increased soybean imports will persist. Evidence of this can be seen through the continued growth of crush capacity near key coastal areas and government-set prices for soybeans, which have tended to be low in relation to set prices for corn or rice. We forecast China's domestic soybean crop for 2012/13 to be 9% below USDA's November forecast, with a further 3% drop likely in 2013/14. At the same time, we believe the economics of crush margins will continue to play a diminished role in predicting import pace. The Chinese government has demonstrated a strong desire to contain food inflation and this is likely to persist into 2013, particularly given the recent leadership change. The support for crush margins through the release of strategic reserves to only some crushers along with state support payments, have been supportive for crush volumes. We believe this strong demand combined with the drawdown in strategic reserves will likely drive higher imports in 2013, with prices being less of a determinant. China remained a strong soybean buyer despite CBOT Soybean prices averaging well over USD 15/bushel in September and October 2012.

Figure 2.5: China's soybean imports continue to increase despite CBOT Soybean price increase of USc 400/bushel



Source: Bloomberg, Rabobank, 2012

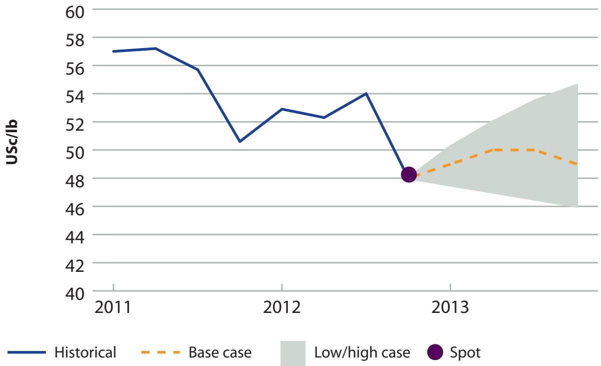
Figure 2.6: Global soybean stocks-to-use forecast will remain low despite increased stocks in major exporting countries



Source: USDA, Rabobank, 2012

SOY OIL

unit	Q2'12	Q3'12	Q4'12f	Q1'13f	Q2'13f	Q3'13f	Q4'13f
USc/lb	52.3	54.0	48.0	49.0	50.0	50.0	49.0



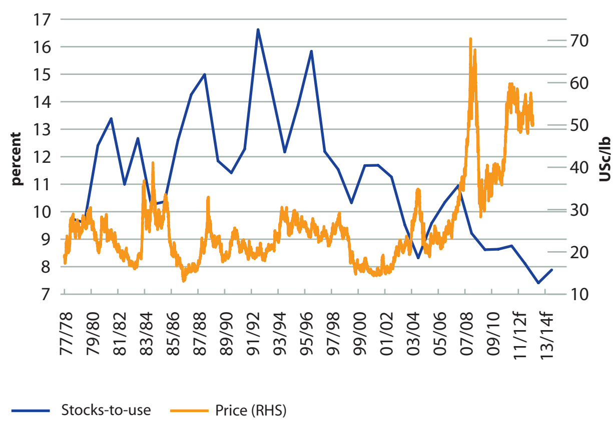
Low case	Base case	High case
Record large ethanol imports from Brazil fulfil the US advanced biofuel mandate	US soy oil biodiesel production continues to increase	Strong US biodiesel demand is spurred by reduced Brazil ethanol exports and rising energy prices
Crude oil prices drop below USD 100/barrel	US stocks tighten in 2H 2012/13 as soy oil supplies are drawn down	Other vegetable oil production is lower than expected
The EU further curtails biofuel mandates	Brazil's ethanol blend mandate is increased, limiting exports to the US	Argentina's production falls below expectations

Source: Bloomberg, Rabobank, 2012

Soy oil prices are forecast to remain range-bound at the beginning of 2013 on high US supplies, before increasing in mid-2013 as supplies are drawn down. CBOT Soy oil prices largely underperformed the grains and oilseeds complex in 2012 as strong crush margins encouraged US soy oil production and global palm oil availability was high. We expect this dynamic will continue in early 2013, particularly given the supply shortage of soymeal, which continues to drive crush margins and thus crush volumes in the US. However, as US soybean supplies are drawn down after Q1 2013 and global soybean demand shifts to South America, we expect this will prove bullish for CBOT Soy oil prices. We forecast the US will be in deficit for vegetable oils in 2H 2012/13 as soybean crush volumes slow and the biofuel mandate increases.

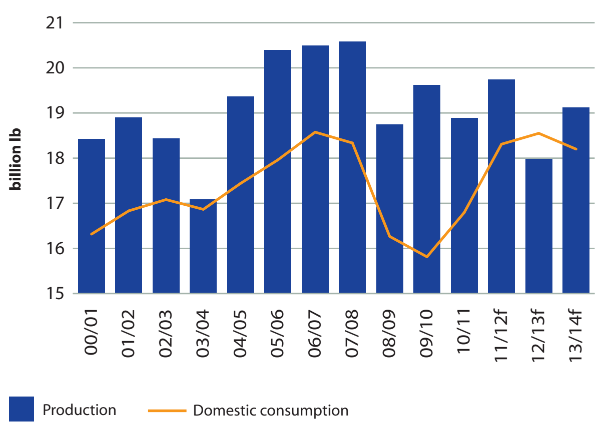
US biodiesel demand is likely to prove a key bullish factor for CBOT Soy oil prices in mid-2013. The US mandate for biodiesel in 2012 is 1 billion gallons and will increase to 1.28 billion gallons in 2013. According to the US Energy Information Administration, 2.89 million pounds of soy oil was used to produce biodiesel in the first nine months of 2012. Total production of biodiesel for 2012 is likely to exceed 1.1 billion gallons with the excess production used to meet the total advanced biofuel mandate. On a marketing year basis, the current pace of output would imply US soy oil demand for biodiesel production would be flat YOY in 2012/13. However, there is upside to this estimate given spillover demand from the total advance biofuel mandate, which is unlikely to be met entirely with Brazil ethanol imports. We expect this will create additional soy oil demand at the same time as US soy oil output slows and will prove bullish for CBOT Soy oil prices in mid-2013.

Figure 2.7: Global soy oil stocks-to-use is forecast at a 44-year low in 2012/13, supporting prices



Source: USDA, Bloomberg, Rabobank, 2012

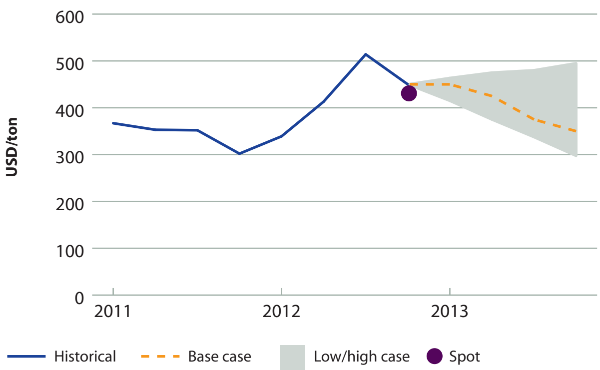
Figure 2.8: A deficit is forecast for US soy oil as demand remains high and production falls



Source: USDA, Rabobank, 2012

SOYMEAL

unit	Q2'12	Q3'12	Q4'12f	Q1'13f	Q2'13f	Q3'13f	Q4'13f
USD/ton	413	514	450	450	425	375	350



Low case
Global feed demand falls more than 2%

Higher planted area and improved weather increase soybean production above expectations in the Americas

Negative macro factors prompt speculative selling/shorting

Base case
Global feed demand increases less than 1%

Prices remain above USD 415/ton through Q1 2013

South American soybean production is up 32.4 million tonnes

High case
Global soybean production falls below our base case estimates

Rising hog and poultry prices sustain demand growth above 2%

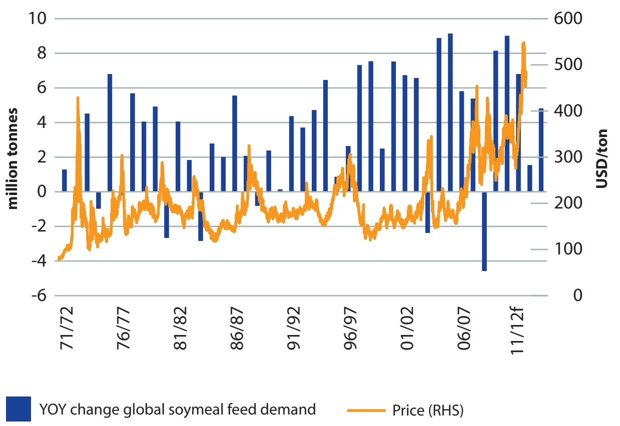
China's soybean import demand exceeds 64 million tonnes

Source: Bloomberg, Rabobank, 2012

CBOT Soymeal prices are likely to drop by nearly USD 75/ton from current levels by the end of 2013 as demand slows. Key to our bearish CBOT Soymeal price forecast is our expectation for demand growth to slow in 2013 and a rebound in soybean production to increase supplies. Hog and poultry producers have seen their margins squeezed in 2012, which will likely result in a contraction in animal numbers and a slowdown in global feed demand for soymeal. Our forecast is based on CBOT Soymeal prices remaining elevated until at least the end of Q1 2013. We forecast global soymeal demand growth will be less than 2% in 2012/13 reaching 178.9 million tonnes.
In our forecasts, China remains a clear outlier compared to price responsive countries. We expect Chinese demand to remain strong as crush increases 7% YOY in 2012/13, driven by continued soybean import growth.

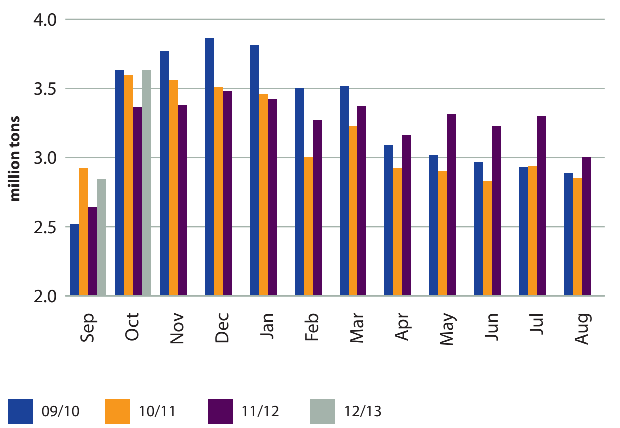
As soymeal demand slows, we expect CBOT Soymeal prices to underperform relative to CBOT Soybeans and CBOT Soy oil in 2013. We expect crush margins to contract in 2013 and oil share to rebound. Given CBOT Soymeal's relative outperformance to CBOT Soy oil in 2012 we expect to see a pronounced drop in consumption past Q1 2013, whereas US soy oil demand is likely to be more robust due to the increased biofuel mandate. We expect fundamentals to diverge as soymeal demand growth slows and US soy oil demand continues to grow, which will push oil share higher in 2013. Furthermore, China's strong soybean import demand is likely to limit CBOT Soybean price downside, which will result in contracting crush margins. We believe this will cause a significant divergence for prices in 2013 and will result in bearish CBOT Soymeal price moves but bullish CBOT Soy oil price moves.

Figure 2.9: Global soymeal demand growth is forecast to slow for 2012/13 as a result of record high prices



Source: USDA, Bloomberg, Rabobank, 2012

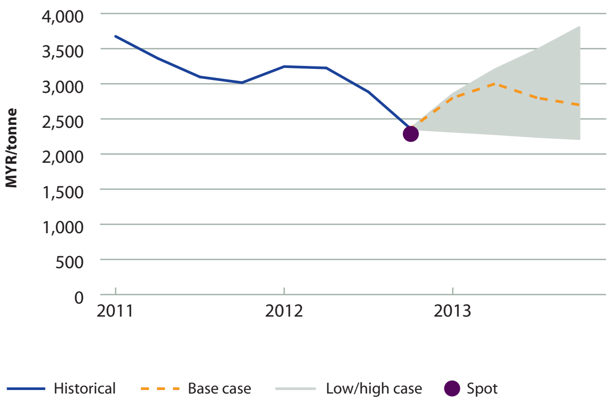
Figure 2.10: US soymeal production is forecast to remain high in 1H 2012/13 before slowing in 2H 2012/13



Source: Bloomberg, NOPA, Rabobank, 2012

PALM OIL

	unit	Q2'12	Q3'12	Q4'12f	Q1'13f	Q2'13f	Q3'13f	Q4'13f
Palm oil	MYR/tonne	3,225	2,884	2,360	2,800	3,000	2,800	2,700



Low case	Base case	High case
Global biodiesel demand declines further	Global oilseed production increases 5% in 2012/13 and 2% in 2013/14	Global oilseed production remains flat YOY
Palm oil production increases more than 7% globally	Global palm oil output grows 5%-6%	Global palm oil production increases 3% or less
Crude oil price falls below USD 100/barrel	Palm oil consumption increases 4%-6%	Crude oil price is above USD 120/barrel

Source: Bloomberg, Rabobank, 2012

Palm oil prices are forecast to rise in Q1 2013 as stocks are drawn down from record high levels before falling later in the year as palm oil and soybean output rebound. Significantly higher seasonal output coupled with waning demand caused Malaysia's palm oil stocks to reach a record large 2.51 million tonnes in October. Falling energy prices added to the bearish sentiment and caused prices to fall to a two-year low of less than MYR 2,100/tonne. We expect stock levels to decline in early 2013 as production slows seasonally and palm oil's price discount relative to alternative vegetable oils encourages end user buying. However, we do not expect prices to reach new highs as a rebound in domestic oilseed production in India and slowing demand for EU biodiesel limit demand growth.

Global palm oil production is likely to continue reaching new highs, limiting price upside. We forecast global palm oil production to increase 6% YOY in 2012/13 to 53.6 million tonnes—0.25 million tonnes more than USDA's forecast. The bulk of this growth will emanate from Indonesia, where we forecast production to be up 1.8 million tonnes to 27.2 million tonnes. Malaysia's output is also forecast to recover after dropping in 2011/12. We expect Malaysia's output to rise 450 thousand tonnes to 18.7 million tonnes. Global production will continue to be concentrated in these two countries at 86% of total world palm oil production. We base our production expectations on current weather forecasts, which do not see an El Niño weather pattern developing in 2013. If this changes and El Niño does develop, this will be a key downside risk to our output projections and likely a bullish factor for prices.

An uncertain outlook for future EU biodiesel demand will limit palm oil export potential. This has been driven by the increased amount of double-counting allowances, quota systems and a recent anti-dumping probe. Although biodiesel quotas continue to increase in Europe, this does not necessarily translate into higher physical demand for biodiesel. The European Commission recently announced an investigation into whether biodiesel exports from Argentina and Indonesia have been sold at prices below cost. This anti-dumping probe will be decided in 2013 and could result in anti-dumping duties for half a year. Additionally, the EU recently proposed to cap the share of energy from food crop based biofuels at 5%—down from their original 10% target by 2020. This would essentially limit future biodiesel demand in Europe and is a key bearish risk to MDEX Palm oil prices. Where double-counting is allowed, physical demand is essentially halved. We therefore use a base case scenario that EU biodiesel consumption and imports will decline in 2013, which will reduce demand for Indonesia's biodiesel exports. However, higher EU non-biodiesel industrial demand will continue to be supportive of higher palm oil imports in 2012/13.

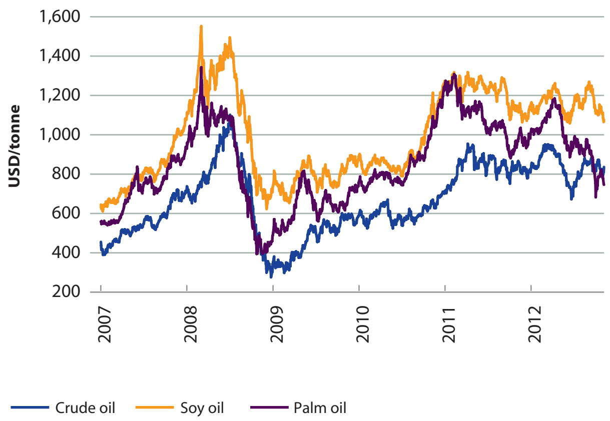
Demand in India is forecast to continue its steady growth and be a supportive factor for palm oil prices in 2013. The combined domestic production of rapeseed and soybeans is forecast to rebound 0.8 million tonnes YOY in 2012/13 to 18.3 million tonnes—due primarily to a record large soybean crop. With increased domestic crush availability, we expect India's oil output to be nearly 120 thousand tonnes higher YOY in 2012/13. However, we expect this to be slightly lower than demand growth, which has averaged 10% during the past five years. As a result, we believe India's reliance on palm oil imports to meet growing food demand will continue to increase, reaching a record-large consumption level of more than 55% in 2012/13. We forecast palm oil imports will grow 2% YOY in 2012/13 to 8 million tonnes. This will be a key supportive factor for MDEX Palm oil prices.

China's palm oil import demand may approach record levels in 2012/13, which could prove bullish for prices. Declining domestic oilseed availability in China is likely to continue to drive import demand for palm oil in 2012/13. We forecast China's soybean imports to increase 3.3 million tonnes YOY but reduced Canadian rapeseed production will lower rapeseed imports 622,000 tonnes YOY in 2012/13. This will limit China's onshore crush growth. China's demand growth for vegetable oils over the past five years has averaged 7%. Although we forecast this to moderate in 2012/13 and substitution is not 1:1, the reduced growth rate of domestically crushed oilseeds is likely to prompt higher palm oil imports. Our forecast for China to import 6.2 million tonnes of palm oil in 2012/13 is above the record high reached in 2008/09 but below USDA's 6.4 million tonne November 2012 forecast. A key risk to our forecast is our domestic crush projections in China, which could be lower than expected if South American soybean production falls short, or higher than expected if China's oilseed production increases.

Palm oil price downside will likely be limited as its value has dropped to near historical lows relative to other oils. While production of other oilseeds has been hampered due to adverse weather last season, palm oil output continues to reach new highs. This has caused prices to diverge as palm oil's underlying fundamentals appear relatively bearish. In 2H 2012, MDEX Palm oil's price discount to CBOT Soy oil increased to the highest level since the global financial crisis at more than USD 400/tonne. Values dropped below that of Brent Crude oil in late September 2012 and have continued to diverge, widening to as much as a USD 90/tonne discount to crude. We believe MDEX Palm oil prices have little downside relative to other oils and do not expect valuations to further diverge in 2013.

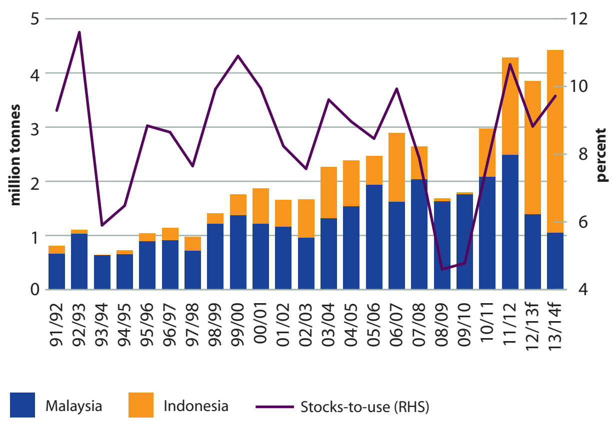
Palm oil supplies are likely to be drawn down in Q1 2013, which will drive prices higher. The bearish sentiment which has persisted in MDEX Palm oil prices is likely to wane as production slows seasonally in early 2013. Although we expect stocks to remain historically high for the remainder of 2012, we believe MDEX Palm oil's attractive price levels relative to other oils and the tightening supply of soybeans will spur end user demand and draw down stocks in early 2013. Palm oil production in Malaysia tends to be higher in the second half of the calendar year and then drop 18% lower in January-March. However, in recent years, this cyclicality has intensified with a production decline of more than 20% from Q4 to Q1 in three out of the past four years. Given the record high production levels which have occurred so far in Q4 2012, we expect to see a pronounced drop in production in Q1. This will likely occur simultaneously with the anticipated tightening of soybean supplies, which we expect to further drive prices higher.

Figure 2.11: MDEX Palm oil price relative to other oils has dropped to the lowest level since 2008



Source: Bloomberg, Rabobank, 2012

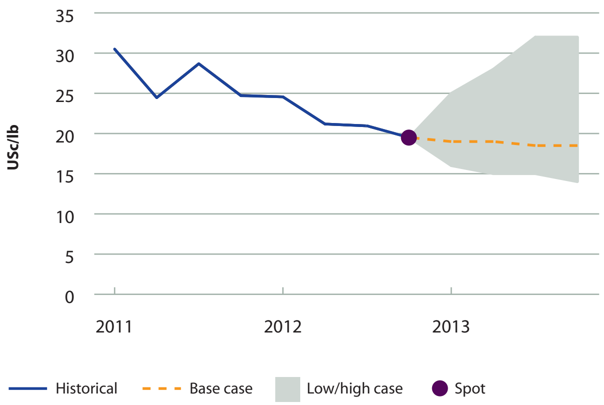
Figure 2.12: Palm oil stocks in major exporting countries are forecast to decline in 2012/13 but remain historically high



Source: USDA, Rabobank, 2012

SUGAR

	unit	Q2'12	Q3'12	Q4'12f	Q1'13f	Q2'13f	Q3'13f	Q4'13f
Sugar	USc/lb	21.2	21.0	19.5	19.0	19.0	18.5	18.5



Low case

Even at lower prices, import demand is diminished as stock levels are seen as comfortable

The macroeconomic environment deteriorates, prompting index funds to liquidate sugar positions

Sugarcane output in Brazil reaches the high end of expectations and ethanol profitability remains low

Base case

Production in Brazil meets early expectations, resulting in an increase in raw sugar supply

Prices for spring wheat shift lower in 2013, resulting in less shift out of beet in the Northern Hemisphere

Indian production realises current expectations and does not shift lower

High case

Indian sugar production does not meet expectations and imports reduce the forecast global surplus and tighten ending stocks

The Brazilian government increases the gasoline price or implements other policy measures that raise ethanol demand, potentially reducing sugar supply

Consumption is underestimated and new season demand pushes prices higher

Source: Bloomberg, Rabobank

Sugar prices (ICE #11 contract) are forecast to ease 5% over the next 12 months as world sugar supply reaches a net surplus of 5.9 million tonnes. While the magnitude of this net surplus remains a key variable to our price forecast, current projections suggest stocks-to-use returning to the 10-year average and the lowest annual average prices since 2009. We view market expectations of a larger Brazilian sugarcane crop in 2013 and the increased inventories from the current season as tempering bullish market sentiment in 2013. Risks of supply side disruption remain a constant and with the large speculator gross short position anticipated to remain in 2013, the market is highly exposed to short covering rallies. However, if our base case crop scenarios are realised, there will be a sufficient supply of sugar in the market, with much of it yet to be sold. Risk of downside bias is elevated, but the already bearish positioning of the funds and the ethanol dynamic in Brazil as well as production risk premiums are expected to limit sustained price movement below USc 18/pound.

Brazil, the largest producer and exporter of sugar, is the focal point for the international market. Crop expectations along with policy moves will dictate speculator positioning and the available supply of exportable sugar. The 2013 raw sugar supply from Brazil will be a function of crop sizes as well as the share of sugarcane processed for ethanol. We expect the allocation of sugarcane to ethanol to increase in the new season. However, the increase in sugarcane will also allow an increase in raw sugar production. Early projections for the sugarcane crop in the Centre/South region in 2013/14 is for an increase on the 2012/13 crop estimate of 520 million tonnes.

Given the weather still to come, it is difficult to project Brazil's 2013/14 sugarcane crop with confidence, but early market expectations are for an improvement from the current season with forecasts ranging between 530 million tonnes and 580 million tonnes for the Centre/South. The age of the sugarcane plantation will remain above optimal in 2013, but replanting has continued to lower it for two consecutive seasons thus supporting agricultural yield potential in 2013. The range of outcomes is wide for the Centre/South crop given potential crop sizes and allocation between ethanol and sugar. However, 35 million tonnes of raw sugar, or 2 million to 3 million tonnes above the current crop forecast, are certainly possible. We anticipate that market expectations for a larger sugarcane harvest and the potential for an increase in raw sugar supply from Brazil in 2013 will keep speculator positioning bearish and users looking to buy sugar at prices below USc 20/pound.

Brazilian ethanol policy impacts the share of sugarcane available for raw sugar production. Therefore, anticipation that the government will implement moderate measures to support mills is expected to be a positive factor for sugar prices in 2013. Policy-makers have signalled a likely increase in the anhydrous blending rate back to 25% from 20%, but so far, the government has shown no sign of shifting the ethanol demand curve by increasing gasoline prices or reducing taxes in 2013. The hydrous ethanol parity, which averaged just below USc 18/pound in 2012 YTD, will remain a key supportive factor for international sugar prices as mills can be expected to concentrate on ethanol production if sugar prices fall below the parity level. International raw sugar prices never fell below the parity in 2012, which would have caused mills to focus on maximising sugar production, with the share of sugar forecast to be 48% to 49% by the end of the 2012/13 season, a multi-year high. In 2013, the sugarcane share devoted to sugar is forecast to fall due to increased ethanol demand and lower sugar prices. Despite this forecast, the total raw sugar output is expected to be higher YOY due to a larger sugarcane crop.

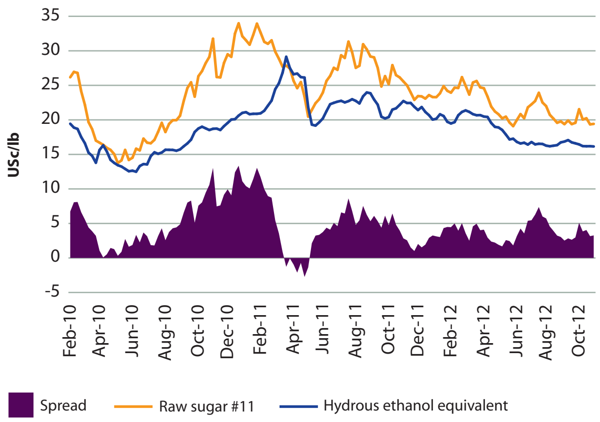
Brazil's sugar industry has been under financial pressure due to increasing production costs, negative weather impacts and lower availability of sugarcane. The financial situation of many Brazilian mills suggests that they need raw sugar prices above USc 20/pound to operate profitably, although this depends greatly on ethanol prices. Production costs in the new season can be expected to fall due to an increase in sugarcane supplies, but this will only have a moderate impact. With greater support from ethanol sales and higher sugarcane availability, the mills' profitability may be better in 2013, but reticence to sell sugar below USc 20/pound is likely to be strong, which is a positive factor for prices.

Indian sugar production is lower on a reduced monsoon, and a risk premium will likely remain in the market until harvest. However, international price impacts are anticipated to be moderate. The 2012/13 crop is forecast to be 2.5 million tonnes to 3 million tonnes down YOY, but sufficient for domestic demand. Estimated ending stocks of 4 million tonnes to 4.5 million tonnes in 2012/13 are a buffer for supply disruptions and the outlook suggests farmer payment arrears may not increase in 2013. For 2013/14, we do not expect a major change to acreage, suggesting that if weather is supportive, production will again cover domestic consumption. In our view, Indian supply risks still exist in the sugar market, but supply dynamics suggest the balance sheet will not shift into deficit.

The large Russian beet crops of the current and past seasons may not be equalled in 2013/14 as high grain prices and falling domestic beet prices result in land shifting out of beet production. Ending stocks built over the past two seasons are anticipated to temper price reaction if planting expectations are reduced in 2013. This dynamic could also reduce land under beet in the EU and Ukraine. The scale of this shift is likely to be modest relative to total supply of sugar, but we expect it to be one of the supportive factors keeping international values near our forecasts.

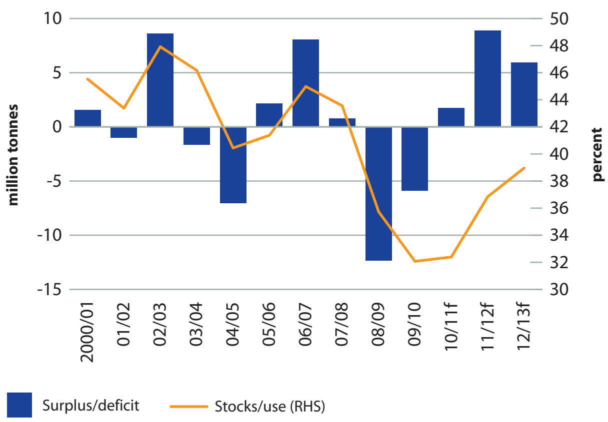
Sugar imports to China doubled in 2011/12 from the previous season and have had a positive impact on international prices in 2012, but this is not expected to continue in 2013. A large domestic sugar crop, up 12% YOY to 12.9 million tonnes for 2012/13, implies Chinese import needs will be significantly reduced in 2013. If China and other structural importers in Asia, including Indonesia, buy more sugar on the international market to further increase inventories, we anticipate interest only when international prices are low, likely below USc 20/pound. If international values move higher, we anticipate the short-term demand profile will shrink quickly. With better domestic and international supply, importers can become disciplined buyers, which is expected to support our lateral price forecasts.

Figure 2.13: The hydrous ethanol sugar equivalent has been a resistance factor for sugar prices



Source: Bloomberg, Rabobank, 2012

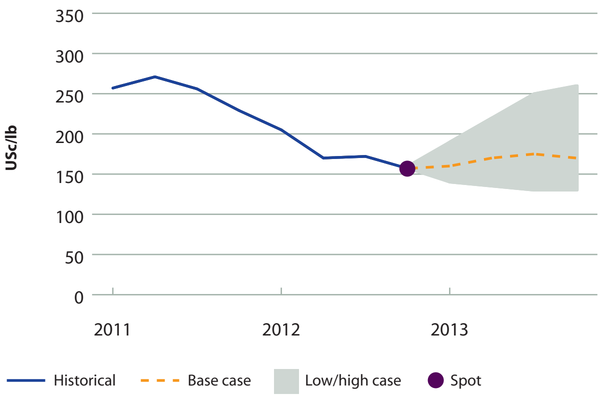
Figure 2.14: Global sugar ending stocks are forecast to grow for the third consecutive season



Source: Rabobank, 2012

COFFEE

	unit	Q2'12	Q3'12	Q4'12f	Q1'13f	Q2'13f	Q3'13f	Q4'13f
ICE	USc/lb	170	172	157	160	170	175	170
Liffe	USD/tonne	2,066	2,095	2,000	2,050	2,075	2,100	2,075



Low case
Brazilian farmers panic-sell stored coffee

An emerging markets slump reduces Robusta demand

Demand for Arabica continues to slump as recession constrains consumption

Base case
A second large Vietnamese crop tempers speculator demand for Robusta

Brazilian 2013 off-season Arabica crop shifts global balance into a deficit

Roaster buying increases in Q1-Q2 2013

High case
Demand for washed Arabica increases on improved economic growth

Frost or other bullish news prompts major speculator short covering in Arabica

Vietnamese crop estimates are reduced

Source: Bloomberg, Rabobank, 2012

Coffee prices are expected to increase in 2013 finding support from increasing global demand and tightening stock levels. Arabica prices are down over 52% from the 2011 high. However, in our view, a potential deficit season in 2013/14 and an already large short speculator position will temper further downside. Robusta market prices are contingent on the Vietnamese crop, and as the current outlook is positive, we do not anticipate major rallies but expect moderately higher prices in 2013. The price difference between coffee varieties has settled to a level where we anticipate stability in the coming year. The range-bound outlook for the spread between Arabica and Robusta prices in 2013 is a function of our forecast for less volatile price action in the Arabica market. Coffee consumption has not decreased but demand has largely moved away from washed Arabica to Brazilian natural Arabica or Robusta, which has shifted differentials closer. This dynamic is a focal point in our forecasts for mostly lateral but positive movement in 2013.

Arabica fundamentals are forecast to be in surplus for 2012/13, which will be a bearish aspect weighing on prices in late 2012 and early 2013 due to investor shorting and hand-to-mouth roaster buying. We anticipate market prices will hit a bottom in 2012, with a positive outlook in 2013 based on new season fundamentals and increased buying. Our 2012/13 fundamental forecast for Arabica is for a 4.1 million bag surplus, while early projections for 2013/14 suggest a likely deficit. The Arabica price outlook in 2013 is positive due to this potential deficit, anticipated roaster buying and Brazilian farmers holding supply off the market.

Farmers in Brazil still have a significant amount of 2012 Arabica harvest to sell on the market, but given their well-capitalised position and government subsidies for storage, we anticipate the supply from Brazil will arrive only if prices are attractive—likely above USc 160/pound in NY. The speculator gross short position, which is near historic highs, is expected to be pared back in 2013 as the deficit season looms. The gross short position is equivalent to 14 million bags of coffee, and a reduction in 2013 will likely support futures prices. With the Arabica market in surplus, roasters have been disciplined buyers in 2012, likely based on the assumption the oversupply will result in a further reduction in prices. Our outlook for 2013 calls for end users to increase buying to build stocks, which will support a retracing in the market.

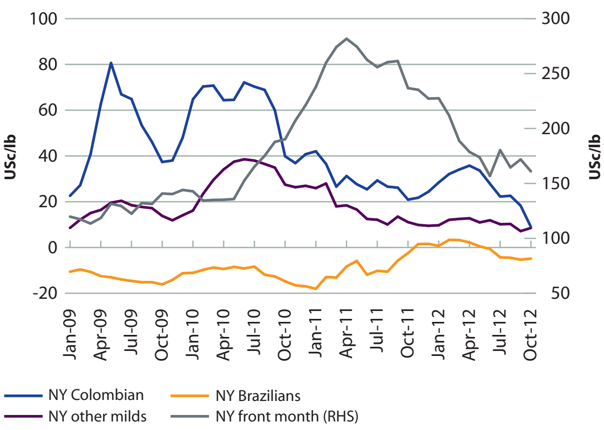
Market expectations for the 2013 Brazilian Arabica crop will drive roaster buying and speculator positioning in the coming year. While early development is positive, it will be an off-season crop, potentially shifting the Arabica fundamental balance into deficit. The scale of the season-to-season production shift has fallen in the past decade due to agronomic practices. We anticipate the difference between on and off-season crops will continue to shrink in the coming years, but given the scale of Brazilian production relative to global Arabica output, forecast at 46% in 2012/13, the off-season harvest will still likely bring about a global deficit in the coming seasons. Also impacting the supply of Arabica in 2013 will be lower incentives from prices. Multi-year production highs of Arabica in Central America, Asia and Africa in 2012/13 were in part a reaction to the highest nominal season average NY price ever. In 2013, we anticipate lower NY values and lower washed differentials will reduce incentives to use inputs and thus moderate yield potential in the short term. With reduced yields and an off-season Brazilian harvest, we see a high probability of an expected Arabica deficit supporting NY prices in 2013.

In our view, the shifting demand profile in the coffee market will keep washed Arabica prices and differentials under pressure and support Brazilian Naturals and Robusta markets in 2013. Coffee demand growth in 2013 is likely to be concentrated in emerging and non-traditional markets as it has been for the past couple of seasons. Given the price conscious consumers in these growing markets, roasters are expected to focus on lower priced beans, therefore maximising Robusta use. The 2010/11 price rally in NY had been supporting washed Arabica production. This coupled with demand moving towards Brazilian Naturals is projected to result in an oversupply of washed Arabica. In the short term, oversupply is illustrated by the NY exchange inventories growing 52% in 2H 2012 as origins sell to the board due to modest physical buying interest. The post-boom Arabica market leaves Brazilian supply in demand while higher cost washed supply exceeds demand. In 2013, the market will have to pay Brazilian farmers higher prices to draw out supply while producers of washed Arabica will find the market oversupplied. In our view, this has resulted in differentials moving closer together, a situation which is likely to remain in 2013.

The Robusta market has been balanced with strong demand growth and large Vietnamese harvests, and in 2013 we see this dynamic continuing. We expect the market to be supported by increased consumption, especially at origin and in Asia. In our view, the substitution of Arabica for Robusta in 2010 and 2011, which we estimate at between 3 million and 5 million bags globally, was a dynamic not expected to occur again. If the Robusta/Arabica price spread remains near current levels, we do not expect consumption to shift back to Arabica, and we do not expect further substitution. Robusta demand is forecast to increase 3.8% in 2012/13, down from 11% the previous year, and will likely grow at a similar pace in the following season if prices are near our forecasts. Robusta market fundamentals are forecast to be in a modest deficit of 204,000 bags in 2012/13. The continued growth in demand is expected to be countered by a large Vietnamese crop of 27 million bags in the new season.

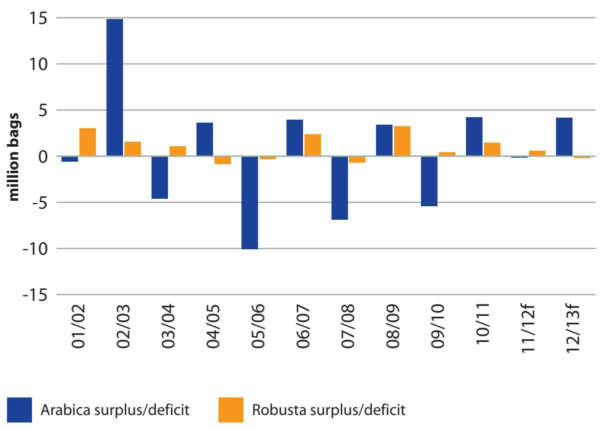
The speculator gross long position in the Robusta market has been pared back significantly since its peak in July 2012 as the supply outlook improved. If Vietnamese and Indonesian crops meet expectations, we anticipate investors will keep reducing long positions. A sharp reversal in the fund positioning is probable if bullish supply news arrives, and consequently our sense for price spike risks in Robusta are elevated. With our base case Robusta supply scenario for 2012/13, we do not anticipate investors increasing the net long levels, but we expect commercial buying and the need to encourage Robusta production to be supportive factors, resulting in increasing prices in 2013. Early season harvest pressure coupled with fund liquidation is forecast to give way to commercial buying supporting futures prices.

Figure 2.15: Arabica differentials have shifted closer together as demand has moved from washed to naturals



Source ICO, Bloomberg, Rabobank, 2012

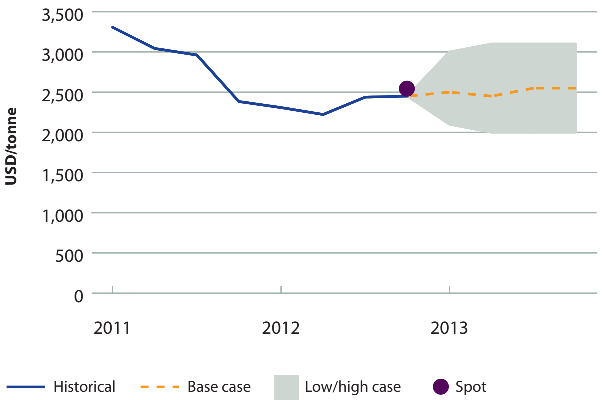
Figure 2.16: Robusta is forecast to move to deficit in 2012/13 while Arabica will be in surplus



Source: Rabobank, 2012

COCOA

	unit	Q2'12	Q3'12	Q4'12f	Q1'13f	Q2'13f	Q3'13f	Q4'13f
ICE	USD/tonne	2,222	2,438	2,450	2,500	2,450	2,550	2,550
Liffe	GBP/tonne	1,495	1,622	1,600	1,650	1,625	1,675	1,675



Low case

Larger than expected crops shift global supply to a third year of consecutive surplus

Economic stagnation in Europe and the US results in reduced chocolate consumption

Funds shift from bullish to bearish position due to negative macro situation or signs of over supply

Base case

Processing profitability returns in 2012/13 resulting in increased grindings

Emerging market demand for cocoa-based products continues to expand

West African crops are mostly higher than in the previous season

High case

The new Ivory Coast buying scheme results in lower deliveries, smuggling and supply disruptions

Lower input use and adverse weather negatively impact the outlook for the 2013/14 crop

A major rebound in powder ratios results in larger than expected growth in grindings

Source: Bloomberg, Rabobank, 2012

Cocoa prices are expected to move sideways to slightly higher in 2013 amid tightening fundamentals. We anticipate stronger terminal prices as demand growth surpasses production, while grinding overcapacity continues to impact volatility. Crop prospects for 2012/13 have improved as rainfall in West Africa helped ease the impact of dry conditions at the start of the season. However, we continue to forecast demand growth outpacing production increases in 2012/13, resulting in a balance sheet deficit and a reduction in stocks. Even with the forecast growth in bean use, it is likely that global grinding capacity will exceed use this season, which will negatively influence grinding profitability. In 2012/13, we assume demand growth of 3.4% YOY, shrinking product stocks and less origin selling, which will move terminal prices higher.

There has been a sharp increase in global grinding capacity as firms built factories in Asia and Africa in the past two seasons on assumptions that demand growth in the regions would continue. The growth in processing has resulted in wide swings in processing margins, product prices and bean use, and this dynamic could continue in 2013. Global over capacity and the over production of cocoa products in 2011 played a role in grinding margins becoming negative in 2012. With too much capacity online, output exceeded demand, processing margins fell and product inventories accumulated. Processing margins are likely positive now, but overcapacity remains and there are risks of negative margins again in 2013. However, we view the oversupply of 2011 as a short term dynamic and expect less capacity use in Europe to result in closer market equilibrium in 2013. Our underlying assumption is that chocolate consumption in Europe, Canada and the US will remain flat, while cocoa-based product demand is increasing in emerging markets, resulting in supported powder ratios and increased grindings in 2013. The net increase in consumption will eventually translate to an increase in bean use, and this is likely to occur in 2013 after stock levels are wound down.

The second largest crop on record is expected in 2012/13, but price action in 2013 is anticipated to be skewed to the upside as values are already low and demand growth is likely to absorb more than the increase in output. The 2012/13 cocoa harvest is forecast to be 26,000 tonnes larger than the previous season as late season precipitation supported the main crop as well as the prospects of the mid-season crop in West Africa. The price impact of a deficit of 83,000 tonnes will likely be tempered in the early season by current product inventories. However, as products are used in 2013, we expect an increase in grindings and higher prices. The outlook for the 2013/14 crop will play an important role in market momentum from Q2 2013 onwards. Cocoa prices, near five-year lows, suggest use of farmer inputs may suffer, thus reducing yield potential for the new crop season, which would underpin markets in 2013.

Production growth has shifted geographically, with African output averaging a 2% annual increase in the last five seasons, while output in the Americas has averaged a 7% increase. African production of 2.8 million tonnes still represents 70% of total output, while the

American crops are forecast at 635,900 tonnes, which represents 16%. In our view, this swing is a function of lower farmer prices in Ivory Coast relative to other areas. Ivory Coast farmgate prices have been falling since 2009, following the general trend in futures prices. The ageing tree stock in Ivory Coast requires investment for renovation, and this will have to be a function of higher prices.

If the Ivory Coast's new government scheme is successful in raising farmer prices, it may support output in the coming seasons. However, the programme is still based on futures prices that are low relative to the average between 2008 and 2011. The reduced terminal markets hamper measures to increase yields/crops in Ivory Coast and other cocoa growing regions. In our view, global crop prospects beyond 2012/13 are likely to be negatively impacted due to low prices, which reduce input and pesticide use. Supply needs to increase in the coming seasons to meet growing demand, but the prospects for increasing crops are low given current prices, and we see this as a major supportive factor in 2013.

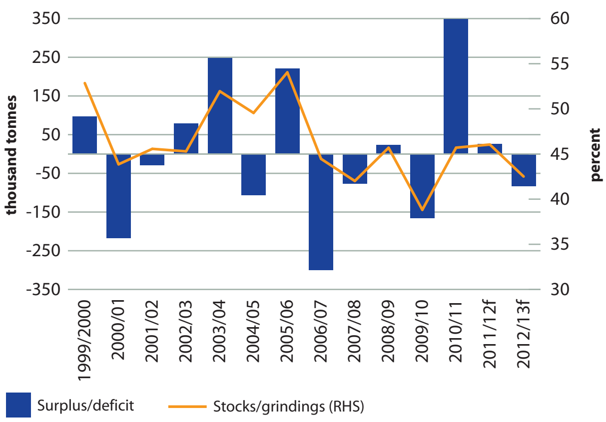
Crop numbers for 2012/13 could be revised lower as the impact of dry weather during pod development remains unclear in West Africa. Buffer stocks exist, but are in the users' hands and are not readily available on the market. If the supply outlook is reduced, we anticipate strong price reaction on investor and commercial buying.

The producer/merchant/processor/user categories in the futures market have built a large net short position since the beginning of 2H 2012. The user category's gross short position in November of nearly 3 million tonnes of cocoa in both London and NY is 10% lower than the record reached in early September. We expect the net short position to continue to move lower in 1H 2013 as the crop hedging pressure gives way to commercial buying. Forward selling of the current Ivory Coast crop during the winter and spring of 2012 resulted in a double dose of hedging pressure as both current and deferred crops were being sold to traders/users at the same time. In 2013, this dynamic will change as only one Ivory Coast crop will be hedged. With as much as 70% to 80% of the main crops in Ivory Coast and Ghana being sold, we anticipate lighter hedging pressure in 2013 than the previous season.

The new government cocoa programme in Ivory Coast to presell the crop and guarantee a minimum farmer price remains a supply risk for the current season. If middleman profitability is reduced or if farmers are not realising the new set price of XOF 735/kg, deliveries are likely to be down from previous seasons, raising concerns about supply. Smuggling is still an issue, with the set price in Ghana at GHS 3,392/tonne, 25% above the Ivory Coast price, but there has been increased rhetoric about reducing smuggled beans.

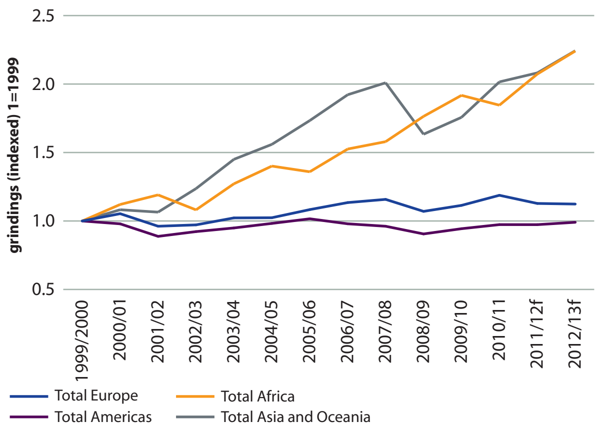
The average prices for the 2011/12 season were the lowest since 2006/07 as a build-up of stocks and the preselling programme in Ivory Coast resulted in a surge in the commercial net short position and reduced user offtake. Since then, the cocoa market has underperformed relative to the agricultural space in the past season. With the risks to output and current low prices relative to the recent history and the broader agricultural markets, we assume the cocoa markets will be viewed as an investment opportunity in 2013. Fund investing has been a supportive factor in 2011/12, and we anticipate this will grow in 2012/13 as commercial buying and supply deficit reveal that the current curve is undervalued.

Figure 2.17: A cocoa deficit is forecast in 2012/13 due to smaller crop and increased demand



Source: ICCO, Rabobank, 2012

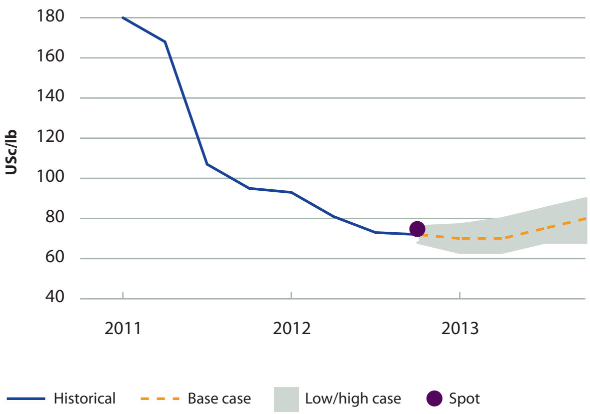
Figure 2.18: Cocoa processing has moved to origin and areas of demand growth

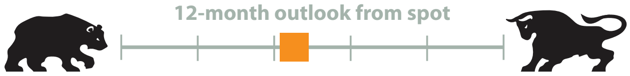


Source: ICCO, NCA, ECA, Rabobank, 2012

COTTON

	unit	Q2'12	Q3'12	Q4'12f	Q1'13f	Q2'13f	Q3'13f	Q4'13f
Cotton	USc/lb	81	73	72	70	70	75	80





Low case	Base case	High case
Southern Hemisphere production is higher than expected	Cotton area declines as soybean and corn expand	China's tariff import quota is increased YOY
Deterioration in the macroeconomic environment limits the investment of non-commercial participants in the cotton market	Global cotton ending stocks for 2013/14 rise to a new record of 81.3 million bales	There are market interventions including an Indian export ban limits exports
Chinese government import quotas are lower than expected, limiting demand	China's cotton production and market intervention remain on par YOY	Stronger than expected macro recovery boosts cotton consumption

Source: Bloomberg, Rabobank, 2012

Global cotton prices are forecast to plateau in 1H 2013, as the market faces its largest ever period of oversupply, before the curve lifts modestly by year end. Prices are forecast to trade at USc 70/lb in Q1 and Q2 2013—the lowest levels in over three years—with 2012/13 world cotton ending stocks expected to reach a record of 79.5 million bales, regardless of a 6% decline in production.

Our quarterly cotton price forecasts of the ICE #2 for 2013 are neutral to bearish, despite a 15% increase in world ending stocks in 2012/13 and a 3% increase in 2013/14. We expect the downside risk to be limited as the ICE #2 cotton futures benchmark represents a segment of US delivered cotton trade (with a minimum base grade of Strict Low Middling with a staple length of 1 2/32nd inches), which has a tighter stocks position than the market in its entirety. We expect quality spreads to widen during 2013 as a result, particularly for grades below Strict Low Middling. The back end of the futures curve is expected to lift in 2H 2013 as a result of tighter stocks of Strict Low Middling grades or higher and to limit the loss of further Southern Hemisphere cotton acres.

Weaker world cotton prices are set to trigger a further 12% cut in global cotton production in 2013/14. In our view, cotton prices need to ease to USc 70/lb in Q1 2013—down USc 22.7/lb from the same quarter the previous year—in order to limit Northern Hemisphere cotton plantings in favour of alternative summer crops—particularly soybeans and corn in the US. In 2012/13, global area fell 4% as the Q1 2012 average price fell 19% YOY, and we anticipate our forecast price drop of 28% in Q1 2013 YOY to result in an area reduction of 9%.

Reflecting the weak cotton price outlook, price ratios of alternative summer crops are expected to discourage cotton acreage for 2013/14. Price ratios of December cotton to November soybean, and December cotton to December corn, are expected to shrink to the lowest March levels on record in March 2013. Based on Q1 2013 soybean price forecast of USc 1,300/bushel and corn price forecast of USc 600/bushel, the cotton-to-soybean ratio is expected to ease to 3.7 from a 10-year average of 4.9, while the cotton-to-corn ratio is expected to ease to 7.5 from an average of 10.2. Cotton area harvested in 2013/14 is expected to decline 12% YOY in the US, 11% in China, 9% in India and 6% in Pakistan.

Southern Hemisphere cotton area harvested is expected to decline substantially in 2012/13 and to ease further in 2013/14. We forecast a 32% reduction in Brazil's 2012/13 cotton area harvested, followed by a 14% reduction in 2013/14—favouring soybean and corn crops. In Australia, strong water availability will support large irrigated crops over the coming seasons, with most area downgrades stemming from a loss of dryland cotton acreage. Australian cotton area is expected to contract around 20% in 2012/13, mainly in favour of sorghum and rice crops, with a further 10% reduction expected in 2013/14.

Global cotton area harvested is expected to contract 6% in 2012/13 and a further 9% in 2013/14. However, this is not substantial enough to limit production and erode ending stocks. We anticipate that domestic price support schemes and government purchasing in China and India will limit the extent of area downgrades in cotton crops—limiting the market's ability to force a much needed widespread reduction in production and erosion of global ending stocks.

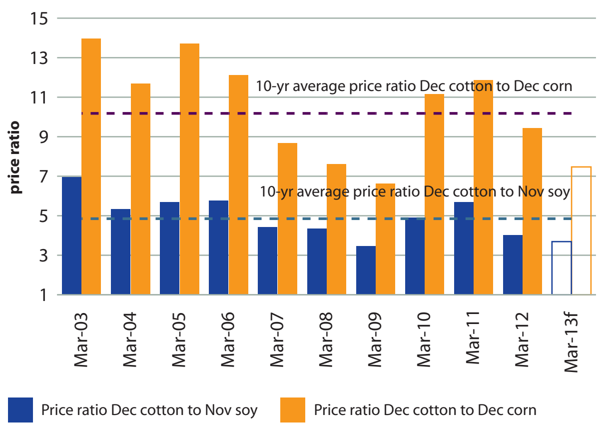
China is expected to control over 35% of global cotton supplies (beginning stocks, production and imports) as of 2013/14, up from 28% in the previous year. This growth has largely been driven by the rapid increase in cotton reserves, due to procurement programmes of the China National Cotton Reserves Corporation (CNCRC). We forecast China's ending stocks to reach 36.7 million bales in 2012/13 up 19% YOY, lifting an additional 9% in 2013/14 to 40.1 million bales. This represents 60% of the growth in global ending stocks from 2011/12 to 2012/13 and 145% of the growth from 2012/13 to 2013/14. These forecasts are based on our expectations that Chinese cotton imports will contract 8% in 2012/13 to 11.5 million bales, remaining on par in 2013/14.

The Chinese government is expected to continue supporting domestic cotton growers into 2013/14, with minimum price support above the international price. This is a critical policy for ensuring that ending stocks continue to rise, pressuring prices and enabling cheap yarn imports for Chinese spinning mills. Our assumptions on global fundamentals are also based on the premise that the volume of low tariff rate quota issued in 2013 will be similar to that of 2012 and that the CNCRC will continue to procure and stockpile cotton—albeit at a slower rate than in 2011 and 2012. A shift away from reserve stockpiling and allocating low rate tariff quotas would be very bearish for the market and is likely to see prices shift to our low case forecast.

The prospect of government intervention in the cotton market, particularly in China and India, through trade impediments and policy shifts, is likely to cause short-term price volatility. However, with the sizeable global ending stocks, any intervention is unlikely to shift the market for a substantial period. At this early stage, the most likely intervention could involve an export ban for Indian cotton due to lower than expected 2012/13 production. This would see our price forecast lift to the high case. However, from our base case price forecasts, the propensity for upside and downside risk is balanced, although the scope for upside gains is greater than downside losses.

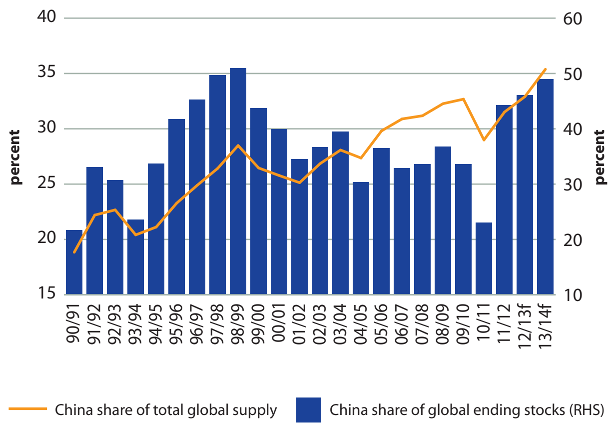
Supply pressures continue to drive our neutral to bearish cotton price forecast, while ongoing macroeconomic uncertainties will weigh on the cotton market due to its discretionary nature during 2013. However, with around 46% of global ending stocks located in China, the policies and interventions of the Chinese government remain the wildcard for cotton prices.

Figure 2.19: Northern Hemisphere cotton area is forecast lower due to the lowest price ratios ever



Source: Bloomberg, Rabobank, 2012

Figure 2.20: China's share of global cotton supply has been increasing significantly since 2010



Source: USDA, Rabobank, 2012

Appendix

Global agri commodity balance sheets

Global corn supply & demand					Rabobank			USDA	
(1,000 Ha/1,000 Mt)	**07/08**	**08/09**	**09/10**	**10/11**	**11/12f**	**12/13f**	**13/14f**	**11/12f**	**12/13f**
Beginning stocks	110,594	132,111	148,068	145,288	126,999	126,739	105,945	126,999	132,078
Area harvested	160,450	159,058	158,570	163,830	169,418	173,069	178,130	169,460	174,678
Yield	5.0	5.0	5.2	5.1	5.2	4.8	5.4	5.2	4.8
Production	794,597	800,036	821,728	830,954	875,667	826,054	953,530	880,487	839,698
Imports	98,256	82,472	89,683	92,413	99,531	95,745	103,717	98,345	93,745
Total supply	**1,003,447**	**1,014,619**	**1,059,479**	**1,068,655**	**1,102,197**	**1,048,537**	**1,163,192**	**1,105,831**	**1,065,521**
Exports	98,645	84,486	96,858	91,455	107,719	90,481	106,845	110,776	90,301
Feed consumption	498,229	481,379	489,501	501,067	510,195	507,075	546,233	506,487	507,540
FSI consumption	274,462	300,686	327,832	349,134	357,544	345,035	364,930	356,490	349,694
Total consumption	772,691	782,065	817,333	850,201	867,739	852,111	911,163	862,977	857,234
Total use	**871,336**	**866,551**	**914,191**	**941,656**	**975,458**	**942,592**	**1,018,008**	**973,753**	**947,535**
Surplus deficit	21,906	17,971	4,395	-19,247	7,928	-26,057	42,367	17,510	-17,536
Ending stocks	132,111	148,068	145,288	126,999	126,739	105,945	145,184	132,078	117,986
Stocks/use	17.1%	18.9%	17.8%	14.9%	14.6%	12.4%	15.9%	15.3%	13.8%

Global wheat supply & demand					Rabobank			USDA	
(1,000 Ha/1,000 Mt)	**07/08**	**08/09**	**09/10**	**10/11**	**11/12f**	**12/13f**	**13/14f**	**11/12f**	**12/13f**
Beginning stocks	133,940	128,164	167,852	200,763	197,953	201,506	162,004	197,953	197,890
Area harvested	217,140	224,703	225,767	218,274	222,964	218,383	225,679	222,106	217,668
Yield	2.8	3.0	3.0	3.0	3.1	2.9	3.1	3.1	3.0
Production	611,852	682,800	686,461	652,134	694,198	639,473	698,625	696,056	651,428
Imports	113,525	137,960	133,792	131,645	147,961	136,061	142,206	147,953	137,643
Total supply	**859,317**	**948,924**	**988,105**	**984,542**	**1,040,112**	**977,039**	**1,002,835**	**1,041,962**	**986,961**
Exports	117,303	144,527	137,222	132,483	153,432	134,057	142,663	156,256	132,692
Feed consumption	102,132	121,186	120,257	116,398	143,711	138,166	135,740	145,312	131,963
FSI consumption	511,718	515,359	529,863	537,708	541,463	547,842	554,486	542,504	548,124
Total consumption	613,850	636,545	650,120	654,106	685,174	680,978	690,226	687,816	680,087
Total use	**731,153**	**781,072**	**787,342**	**786,589**	**838,606**	**815,035**	**832,889**	**844,072**	**812,779**
Surplus deficit	-1,998	46,255	36,341	-1,972	9,024	-41,505	8,399	8,240	-28,659
Ending stocks	128,164	167,852	200,763	197,953	201,506	162,004	169,946	197,890	174,182
Stocks/use	20.9%	26.4%	30.9%	30.3%	29.4%	23.8%	24.6%	28.8%	25.6%

Source: USDA, Rabobank, 2012

Global agri commodity balance sheets

Global soybean supply & demand					Rabobank			USDA	
(1,000 Ha/1,000 Mt)	07/08	08/09	09/10	10/11	11/12f	12/13f	13/14f	11/12f	12/13f
Beginning stocks	62,497	52,470	43,705	61,148	70,440	54,601	58,045	70,440	55,996
Area harvested	90,596	96,340	102,161	102,914	103,309	108,597	109,796	102,562	108,692
Yield	2.4	2.2	2.6	2.6	2.3	2.5	2.5	2.3	2.5
Production	219,555	211,636	261,086	264,676	237,402	266,419	275,025	239,216	267,597
Imports	78,336	77,391	86,838	88,800	92,483	96,845	102,084	92,514	96,009
Total supply	**360,388**	**341,497**	**391,629**	**414,624**	**400,325**	**417,865**	**435,153**	**402,170**	**419,602**
Exports	78,429	76,894	92,863	92,674	89,902	97,754	103,285	90,330	98,550
Crush	202,200	193,165	209,199	221,421	226,710	231,450	239,890	226,710	231,141
Seed/feed/residual	27,289	27,733	28,419	30,089	29,112	30,616	30,523	29,134	29,888
Total consumption	229,489	220,898	237,618	251,510	255,822	262,067	270,413	255,844	261,029
Total use	**307,918**	**297,792**	**330,481**	**344,184**	**345,724**	**359,820**	**373,698**	**346,174**	**359,579**
Surplus/deficit	-10,027	-8,765	17,443	9,292	-15,840	3,444	3,411	-14,444	4,027
Ending stocks	52,470	43,705	61,148	70,440	54,601	58,045	61,455	55,996	60,023
Stocks/use	22.9%	19.8%	25.7%	28.0%	21.3%	22.1%	22.7%	21.9%	23.0%

Global palm oil supply & demand					Rabobank			USDA	
(1,000 Mt)	07/08	08/09	09/10	10/11	11/12(f)	12/13(f)	13/14(f)	11/12(f)	12/13(f)
Beginning stocks	4,975	4,381	4,817	5,349	5,482	6,603	5,932	5,482	6,603
Production	41,028	44,018	45,873	47,923	50,699	53,579	56,288	50,699	53,327
Imports	30,457	34,055	35,317	35,876	37,870	40,170	42,164	37,870	39,910
Total supply	**76,460**	**82,454**	**86,007**	**89,148**	**94,051**	**100,352**	**104,383**	**94,051**	**99,840**
Exports	32,317	34,932	35,752	36,756	38,449	41,368	43,514	38,449	40,711
Food consumption	29,822	31,589	32,962	34,271	35,356	37,596	39,105	35,356	37,566
Industrial	9,237	10,316	11,113	12,011	12,995	14,194	14,651	12,995	13,812
Feed	703	800	831	628	648	1,262	1,515	648	709
Total consumption	39,762	42,705	44,906	46,910	48,999	53,052	55,271	48,999	52,087
Total use	**72,079**	**77,637**	**80,658**	**83,666**	**87,448**	**94,420**	**98,785**	**87,448**	**92,798**
Surplus deficit	-594	436	532	133	1,121	-671	-334	1,700	439
Ending stocks	4,381	4,817	5,349	5,482	6,603	5,932	5,598	6,603	7,042
Stocks/use	11.0%	11.3%	11.9%	11.7%	13.5%	11.2%	10.1%	13.5%	13.5%

Source: USDA, Rabobank, 2012

Global agri commodity balance sheets

Global cotton supply & demand					Rabobank			USDA	
(1,000 Ha/1,000 bales)	**07/08**	**08/09**	**09/10**	**10/11**	**11/12f**	**12/13f**	**13/14f**	**11/12f**	**12/13f**
Beginning stocks	62,480	60,974	60,808	69,564	50,367	69,337	79,513	48,632	69,564
Area harvested	32,841	30,571	30,141	34,096	35,868	33,825	30,763	35,871	34,096
Yield	3.6	3.5	3.4	3.4	3.4	3.4	3.3	3.5	3.4
Production	119,697	107,474	102,591	116,324	123,186	116,222	102,682	124,134	116,324
MY imports	39,321	30,476	36,349	36,461	44,708	37,021	36,000	44,708	36,461
Total supply	**221,498**	**198,924**	**199,748**	**222,349**	**218,261**	**222,580**	**218,195**	**217,474**	**222,349**
MY exports	39,052	30,402	35,593	36,452	45,045	36,736	36,000	45,045	36,452
Loss	-2,154	-2,608	-137	-89	337	-285	0	-300	-89
Use	123,626	110,322	118,955	106,873	103,542	106,617	100,300	103,165	106,873
Total domestic use	121,472	107,714	118,818	106,784	103,879	106,332	100,300	102,865	106,784
Total use	**160,524**	**138,116**	**154,411**	**143,236**	**148,924**	**143,068**	**136,300**	**147,910**	**143,236**
Surplus deficit	-3,929	-2,848	-16,364	9,451	19,644	9,605	2,382	20,969	9,451
Ending stocks	60,974	60,808	45,337	79,113	69,337	79,513	81,895	69,564	79,113
Stocks/use	49%	55%	38%	74%	67%	75%	82%	67%	74%

Global coffee supply & demand							Rabobank	
(1,000 60 kg bags)	**05/06**	**06/07**	**07/08**	**08/09**	**09/10**	**10/11**	**11/12f**	**12/13f**
Beginning stocks	42,348	31,363	37,148	29,882	36,052	31,900	37,474	37,905
Arabica production	69,455	81,717	72,734	82,390	73,895	85,528	79,603	85,340
Robusta production	45,692	50,367	48,333	54,242	53,427	56,096	61,428	62,996
Total output	115,147	132,084	121,067	136,632	127,322	141,624	141,031	148,336
MY imports	92,195	97,470	96,809	96,821	93,800	107,520	105,000	108,000
Total supply	**249,690**	**260,917**	**255,024**	**263,335**	**257,174**	**281,044**	**283,505**	**294,241**
MY exports	92,829	98,000	96,551	97,303	93,000	107,550	105,000	108,000
Soluble use	12,963	12,857	13,584	12,376	13,144	13,400	13,900	14,400
Use	112,535	112,912	115,007	117,604	119,130	122,620	126,700	130,000
Total domestic consumption	125,498	125,769	128,591	129,980	132,274	136,020	140,600	144,400
Total use	**218,327**	**223,769**	**225,142**	**227,283**	**225,274**	**243,570**	**245,600**	**252,400**
Surplus deficit	-10,351	6,315	-7,524	6,652	-4,952	5,604	431	3,937
Ending stocks	31,363	37,148	29,882	36,052	31,900	37,474	37,905	41,842
Stocks/use	25%	30%	23%	28%	24%	28%	27%	29%

Global sugar supply & demand							Rabobank	
(1,000 Mt)	**05/06**	**06/07**	**07/08**	**08/09**	**09/10**	**10/11**	**11/12f**	**12/13f**
Beginning stocks	58,786	60,956	69,007	69,761	57,408	51,545	52,292	61,405
Production	151,079	166,405	166,606	151,788	157,076	165,311	179,253	177,583
Imports	48,623	46,572	45,311	47,264	54,571	51,755	50,806	54,467
Total supply	**209,864**	**227,361**	**235,613**	**221,549**	**214,485**	**216,857**	**231,546**	**238,988**
Exports	50,226	51,501	51,004	50,758	56,767	54,875	54,968	57,576
Consumption	147,307	153,425	160,159	160,647	160,743	161,445	166,688	169,468
Total use	**147,307**	**153,425**	**160,159**	**160,647**	**160,743**	**161,445**	**166,688**	**169,468**
Surplus/deficit	2,170	8,051	754	-12,353	-5,863	1,728	8,865	5,941
Ending stocks	60,956	69,007	69,761	57,408	51,545	52,292	61,405	66,022
Stocks/use	41%	45%	44%	36%	32%	32%	37%	39%

Global cocoa supply & demand							Rabobank	
(1,000 MT)	**05/06**	**06/07**	**07/08**	**08/09**	**09/10**	**10/11**	**11/12f**	**12/13f**
Production	3,786	3,434	3,677	3,645	3,586	4,312	3,971	3,997
Ivory Coast	1,408	1,229	1,382	1,222	1,245	1,500	1,475	1,450
Ghana	740	614	680	711	620	1,025	879	800
Grindings	3,527	3,700	3,771	3,519	3,715	3,920	3,946	4,080
Surplus/deficit	**221**	**-300**	**-77**	**23**	**-165**	**349**	**26**	**-83**
Ending stocks	1,906	1,645	1,584	1,607	1,442	1,792	1,817	1,734
Stocks/use	54.0%	44.5%	42.0%	45.7%	38.8%	45.7%	46.1%	42.5%

Source: USDA, ICCO, ICO, Rabobank, 2012

US agri commodity balance sheets

US corn supply & demand					Rabobank			USDA	
(Mln acres/Mln bu.)	07/08	08/09	09/10	10/11	11/12f	12/13f	13/14f	11/12f	12/13f
Beginning stocks	1,304	1,624	1,673	1,708	1,128	941	553	1,128	988
Area harvested	86.5	78.6	79.5	81.4	84.0	85.3	89.8	84.0	87.7
Yield	150.7	153.9	164.7	152.8	147.2	122.3	157.0	147.2	122.3
Production	13,038	12,092	13,092	12,447	12,358	10,429	14,100	12,358	10,725
Imports	20	14	8	28	25	150	20	29	100
Total supply	**14,361**	**13,729**	**14,773**	**14,182**	**13,511**	**11,520**	**14,673**	**13,515**	**11,814**
Exports	2,437	1,849	1,980	1,834	1,540	1,100	1,700	1,543	1,150
Feed consumption	5,858	5,182	5,125	4,795	4,583	4,075	4,800	4,547	4,150
FSI consumption	4,442	5,025	5,961	6,425	6,447	5,792	6,417	6,437	5,867
Ethanol use	3,049	3,709	4,568	5,021	5,010	4,425	5,050	5,000	4,500
Total consumption	10,300	10,207	11,086	11,220	11,030	9,867	11,217	10,984	10,017
Total use	**12,737**	**12,056**	**13,066**	**13,055**	**12,570**	**10,967**	**12,917**	**12,527**	**11,167**
Ending stocks	1,624	1,673	1,708	1,128	941	553	1,757	988	647
Stocks/use	12.8%	13.9%	13.1%	8.6%	7.5%	5.0%	13.6%	7.9%	5.8%

US soybean supply & demand					Rabobank			USDA	
(Mln acres/Mln bu.)	07/08	08/09	09/10	10/11	11/12f	12/13f	13/14f	11/12f	12/13f
Beginning stocks	574	205	138	151	215	169	139	215	169
Area harvested	64.1	74.7	76.4	76.6	73.8	75.9	75.9	73.8	75.7
Yield	41.73	39.73	43.98	43.5	41.93	39.30	42.20	41.93	39.25
Production	2,677	2,967	3,359	3,329	3,094	2,983	3,202	3,094	2,971
Imports	10	13	15	14	16	25	15	16	20
Total supply	**3,261**	**3,185**	**3,512**	**3,495**	**3,325**	**3,177**	**3,356**	**3,325**	**3,160**
Exports	1,159	1,279	1,499	1,501	1,362	1,340	1,435	1,362	1,345
Crush	1,803	1,662	1,752	1,648	1,703	1,580	1,680	1,703	1,560
Seed/feed/residual	94	106	110	131	90	118	94	90	116
Domestic consumption	1,897	1,768	1,862	1,779	1,793	1,698	1,744	1,793	1,676
Total use	**3,056**	**3,047**	**3,361**	**3,279**	**3,155**	**3,038**	**3,209**	**3,155**	**3,021**
Surplus/deficit	-369	-67	13	64	-46	-30	8	-46	-30
Ending stocks	205	138	151	215	169	139	148	169	140
Stocks/use	6.7%	4.5%	4.5%	6.6%	5.4%	4.6%	4.6%	5.4%	4.6%

US wheat supply & demand					Rabobank			USDA	
(Mln acres/Mln bu.)	07/08	08/09	09/10	10/11	11/12f	12/13f	13/14f	11/12f	12/13f
Beginning stocks	456	306	656	976	863	743	569	863	743
Area harvested	51.0	55.7	49.9	47.6	45.7	49.0	51.6	45.7	49.0
Yield	40.2	44.9	44.5	46.4	43.8	46.3	45.7	43.8	46.3
Production	2,051	2,499	2,218	2,207	1,999	2,269	2,357	1,999	2,269
Imports	113	127	119	97	112	130	130	112	130
Total supply	**2,620**	**2,932**	**2,993**	**3,280**	**2,974**	**3,142**	**3,056**	**2,974**	**3,142**
Exports	1,262	1,015	879	1,289	1,050	1,200	1,250	1,050	1,100
Feed consumption	16	255	150	132	163	350	130	164	315
FSI consumption	1,035	1,005	988	996	1,018	1,023	1,030	1,018	1,023
Total consumption	1,051	1,260	1,138	1,128	1,181	1,373	1,160	1,181	1,338
Total use	**2,314**	**2,275**	**2,017**	**2,417**	**2,231**	**2,573**	**2,410**	**2,231**	**2,438**
Surplus deficit	-150	351	318	-113	-120	-174	77	-119	-39
Ending stocks	306	656	976	863	743	569	646	743	704
Stocks/use	13.2%	28.9%	48.4%	35.7%	33.3%	22.1%	26.8%	33.3%	28.9%

Source: USDA, Rabobank, 2012

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