

# Agri Commodities Monthly



Rabobank

## BULLS BACK ON TRACK

Despite the recent investor sell-off, we maintain our bullish outlook for many agri commodity products as tight supply coupled with strong demand supports values. We expect a major production response for many commodities, but as land is limited, inventories are low and weather risks are endemic, upside price bias will continue to be high.

### GRAINS & OILSEEDS

#### WHEAT



Rabobank 3-month view



**Volatility to increase on the way to higher wheat prices**

- The BSR is unlikely to return as a major wheat exporter in 2011/12, placing increased pressure on spring plantings in traditional exporting countries.
- Geopolitical issues in key wheat-importing nations will continue to cause wheat price volatility to rise.

#### CORN



Rabobank 3-month view



**Corn values to reach record highs — increased acreage for US corn a certainty**

- Demand has not yet shown significant declines despite lower US and Argentine corn production.
- US ethanol production is on track to exceed USDA forecasts as discretionary blending remains profitable with corn trading at less than USD 7.50/bu.

#### SOYBEANS



Rabobank 3-month view



**Higher prices required to prevent end-user demand from increasing further**

- Soybean prices find bullish support from biodiesel demand as a result of surging energy prices.
- US soybean ending stocks continue at near record lows due to the delayed Brazilian harvest and competition for acreage with corn.

#### PALM



Rabobank 3-month view



**Rising energy prices and the continued drawdown in stock levels will support prices through 1H 2011**

- We maintain our MDEX Palm Oil Q1 and Q2 price forecasts due to continued lower production in Malaysia and Indonesia.
- Prices will take direction from soybean oil and the energy complex as demand for biodiesel is renewed.

### SOFTS

#### SUGAR



Rabobank 3-month view



**Lack of robust physical demand has resulted in sugar prices losing momentum**

- Values are still expected to remain supported by tight fundamentals, but further weakness could result in more fund liquidation
- The unstable macro environment, will likely keep investors on edge and volatility high

#### COTTON



Rabobank 3-month view



**Prices have shot back up and are expected to remain high because of the need for demand rationing**

- Prices continue to be vulnerable to large sell-offs, but with very tight fundamentals and strong cash prices, values are expected to remain high
- Global planted area for the coming season is forecast to be the largest since 1995 and production could be a record

#### COCOA



Rabobank 3-month view



**With Ivory Coast on the brink of Civil War, cocoa nearby values have rallied, supply risk is high**

- The deteriorating situation in Ivory Coast is expected to result in reduced quality of beans in the short term and may lower the coming harvest potential
- The market structure suggests the recent gains have been mostly speculative and therefore could evaporate quickly

#### COFFEE



Rabobank 3-month view



**Arabica prices reached a new 13-year high only to fall as user buying faded**

- Recent gains have been mostly speculator-based, and the market has not been able to muster the momentum to pass the 280 level for arabica
- Increased supply from Central America has had little impact on lowering arabica prices in NY

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## OUTLOOK

- We maintain our bullish outlook for most agricultural markets despite the recent investor sell-off
- Corn and cotton appear to have the most upside from current levels
- Volatility increased at the end of 2010 and is expected to continue at unusually high levels

Geopolitical turmoil shook up commodity markets in February causing a major pullback in many agricultural markets. Investors fled risk, liquidating positions or shifting cash into the oil markets. Given the acute tightness of global agricultural inventory levels and rising food prices, we expect agricultural commodity values to remain supported, but as quick-to-sell investors make up an increasing share of the markets, outside macro developments should be expected to have considerable influence on agricultural markets.

With exterior events influencing the agricultural market so significantly and with buffer stocks of many agricultural products critically diminished, volatility has risen and is expected to stay elevated. In addition, prices are expected to be susceptible to sizable corrections when markets react to negative events. In our view, however the fundamentals should reassert themselves. We think that, due to growing demand and very low inventories, the price signal to encouraging farmers to produce and increase harvests will have to remain elevated into next season to ensure adequate supply.

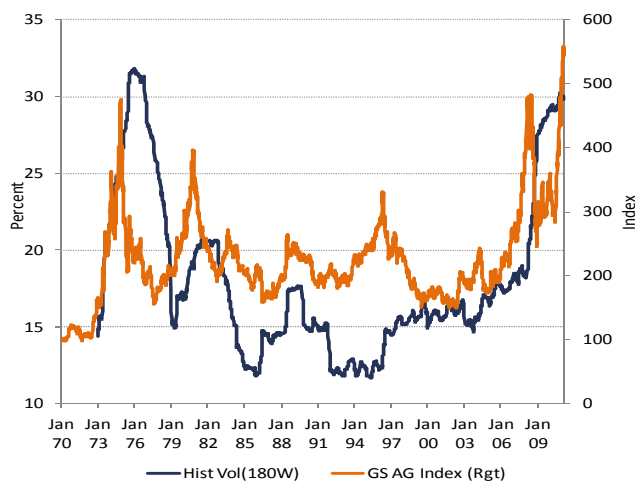
**Table 1: Rabobank maintains 2011 bullish price forecasts**

Commodity	unit	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11(f)	Q2'11(f)	Q3'11(f)	Q4'11(f)
Wheat	US¢/bu	496	467	651	707	835	835	755	730
Corn	US¢/bu	371	355	421	562	685	725	675	615
Soybeans	US¢/bu	956	957	1034	1247	1415	1500	1350	1300
Palm Oil	MYR/t	2577	2507	2620	3308	3900	3800	3600	3400
Coffee	US¢/lb	135	140	175	205	255	245	225	215
Cocoa	US\$/tn	3081	2988	2876	2862	3350	2900	2700	2650
Cotton	US¢/lb	76.1	81.4	87.3	129.1	180.0	165.0	135.0	125.0

Source: Bloomberg, Rabobank

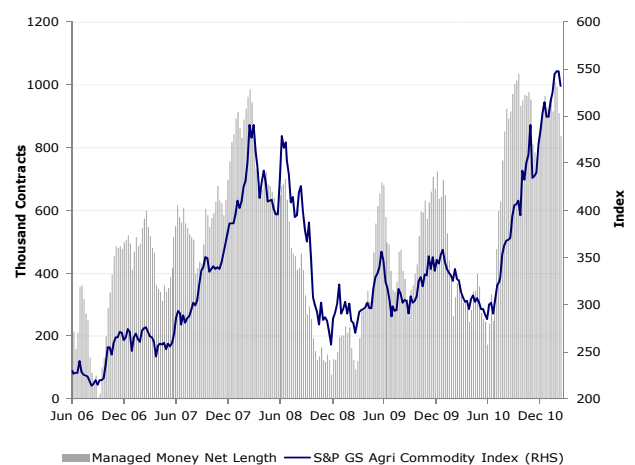
Over the coming months, the market is likely to focus on the planting of Northern Hemisphere grain, oilseed, and cotton as well as the mid crops of coffee and cocoa in the equatorial regions. A major focal point will continue to be outside impacts. With such an explosive geopolitical environment, investors are quick to liquidate and volatility in the markets can increase. However we believe that fundamentals will reassert themselves such as they did in the recent sell-off.

**Figure 1: Long term volatility has increased and is near the record highs of the 1970s**



Source: Rabobank, Bloomberg

**Figure 2: The speculative position remains near record levels**



Source: Rabobank, USDA

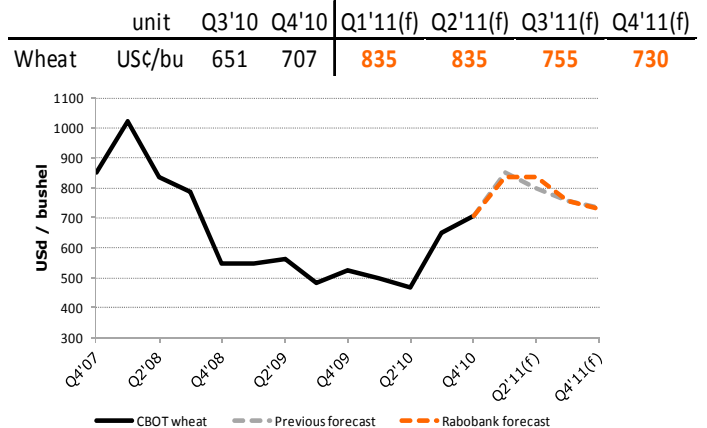
# WHEAT



## Volatility to increase on the way to higher wheat prices

- The BSR is unlikely to return as a major wheat exporter in 2011/12, placing increased pressure on spring plantings in traditional exporting countries.
- Geopolitical issues in key wheat-importing nations will continue to cause wheat price volatility to rise.

Figure 3:CBOT wheat prices stall only temporarily

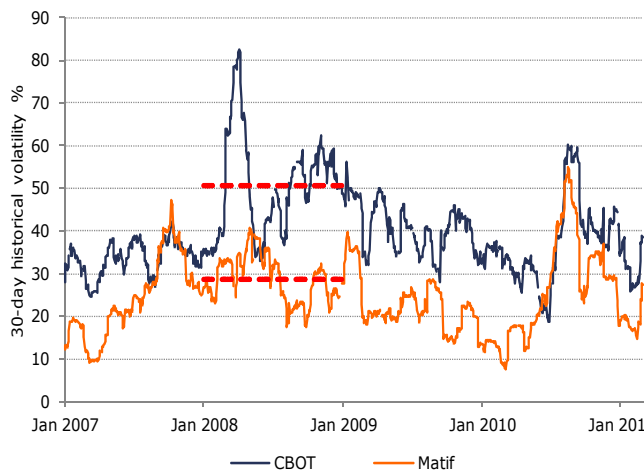


Source: Bloomberg, Rabobank

**We expect wheat prices will continue to move higher, driven by the upward trajectory of corn prices and continued geopolitical events.** At current price levels, the response in terms of area planted for 2011/12 is expected to be large. We also anticipate the continued La Niña pattern could increase the risk of yield loss and quality downgrades. This will allow elevated regional and quality price spreads, which have developed as a result of weather issues in 2010/11, to persist. Furthermore, the Black Sea Region is unlikely to recover as a major wheat exporter, which will continue to place increased pressure on traditional wheat exporters to satiate demand. With a dry weather pattern in key US, China and EU growing regions, we expect an elevated risk premium will be priced into the market until well into the growing season.

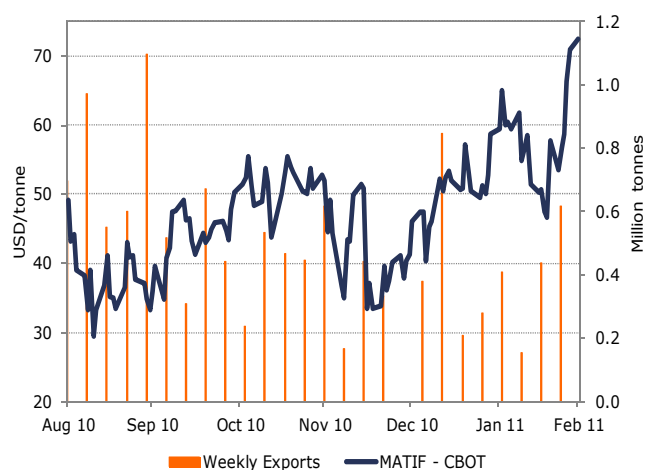
**Price volatility increasing from subdued levels of early 2011.** Alongside increased geopolitical unrest and broader commodity market price developments, wheat price volatility is likely to continue increasing in coming months. In 2008, when wheat prices hit record high levels, CBOT wheat 30-day historical price volatility averaged more than 50% with a peak of 83%. Similarly, Matif wheat 30-day historical volatility averaged nearly 30% reaching a high of 55%. However, price volatility of both CBOT and Matif YTD have been unsustainably low at 32% and 19%, respectively. With prices already at elevated levels, we expect price swings such as occurred in the second half of February to continue, which will sustain a heightened level of price volatility.

Figure 4: Wheat price volatility increasing from relatively subdued levels



Source: Bloomberg, Rabobank

Figure 5: Matif wheat must continue to trade at a premium to CBOT wheat in order to slow the pace of EU wheat exports



Source: Bloomberg, Rabobank

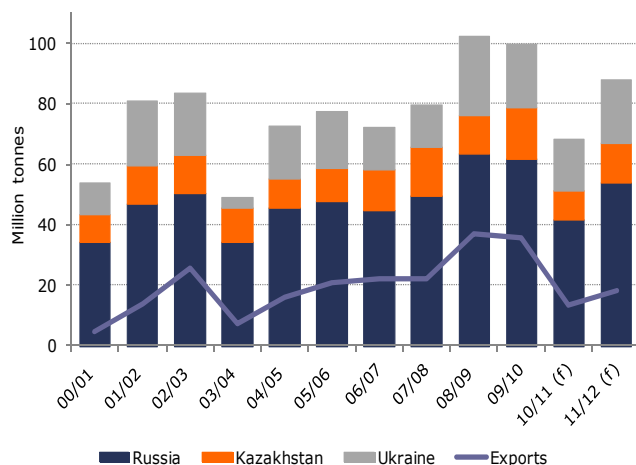
**Limited supplies of old crop wheat will allow regional and quality wheat price spreads to remain at elevated levels.** Matif wheat prices are likely to continue trading at a premium to CBOT wheat as the pace of EU exports continue to exceed USDA’s forecast by 20%. Despite Matif wheat prices averaging a more than USD 50/tonne premium to CBOT wheat YTD, EU wheat exports have continued at an unsustainable pace. The most recent weekly export licence data, reported 22 February, showed EU exports surging to 620,000 tonnes. During this period, Matif’s premium to CBOT wheat closed below USD 50/tonne for two days. In subsequent trading sessions the spread quickly widened to a marketing year high of nearly USD 73/tonne. We expect this elevated spread will persist, given that EU wheat exports have now reached 15.4 million tonnes— 70% of USDA’s forecast in only the first two thirds of the marketing year.

**The Black Sea Region is not likely to recover as a major global wheat exporter in 2011/12.** Russia’s winter wheat plantings fell to the lowest level since 2007 and winterkill is expected to be above average. Russia planted less than 13 million hectares of winter wheat, which will likely produce a 31 to 37 million tonne crop. For Russia to produce 60 million tonnes of wheat would require the largest spring wheat planting in more than 10 years (16 million hectares) and trendline yields. As a result, we expect Russia will have less than 10 million tonnes of exportable wheat in 2011/12. Ukraine, however, has reported better YOY winter wheat conditions; 56% of the crop is in good condition. Barring any major weather disruptions, Ukraine’s exports could recover to upwards of 9 million tonnes in 2011/12. Given Kazakhstan’s wheat crop is primarily spring planted it is not yet possible to forecast its production with any accuracy. However, should Kazakhstan’s output return to pre-drought levels, this could potentially add an additional 5 million tonnes of wheat exports. In the best case scenario, this likely leaves the BSR a total export availability of less than 20 million tonnes of wheat in 2011/12— the second lowest level since 05/06.

**Spring plantings in traditional wheat exporters will take on increasing importance in the absence of Black Sea exports.** With no significant increase in BSR export wheat availability, traditional wheat exporters will again play a large role in global trade for 2011/12. This will be supportive of wheat prices until the market feels comfortable with planted area and crop progress in the EU, the US, Canada and China. The National Oceanic and Atmospheric Administration (NOAA) forecasts a 50% chance that La Niña conditions will last until June. The NOAA in its three month weather outlook expects the Southern US to remain warmer and drier than average in the next three months. Key wheat producing regions of China have also experienced unusually dry conditions that could impact upwards of 10% of planted area.

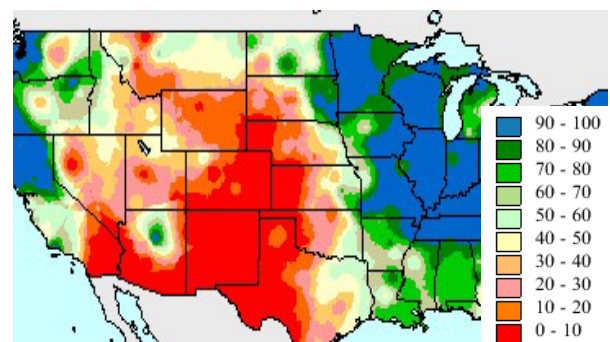
**Wheat prices will rise as a result of bullish fundamentals in the broader grains and oilseeds complex.** As profit margins increase for competing row crops such as corn and soybeans, wheat prices will follow in order to prevent a reduction in planted acreage. Furthermore, persistent geopolitical issues in key wheat-importing MENA countries will increase price volatility in coming months. And, given the already tenuous weather conditions in key wheat growing regions, we expect prices to remain elevated until the Northern Hemisphere wheat crop is planted and reported in good condition. ↗

**Figure 6: Only a mild recovery in Russia’s wheat production in 2011 will keep BSR wheat exports contained**



Source: USDA, IKAR, UkrAgroConsult, Rabobank

**Figure 7: Low soil moisture has caused only 24% of the US HRW crop to be rated good/excellent vs 50% this time last year**



Source: USDA-FAS-OGA, Rabobank

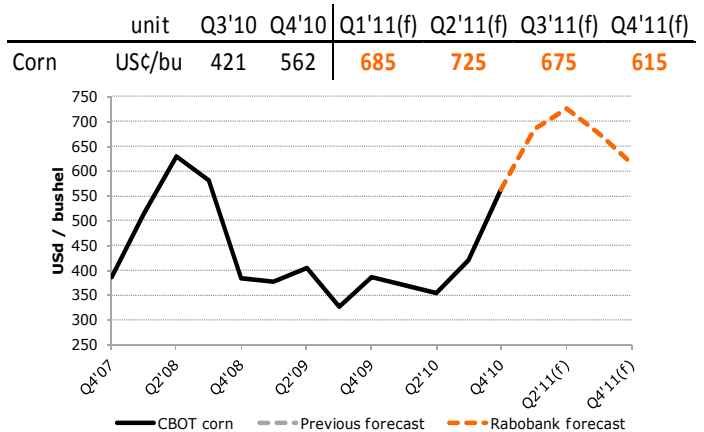
# CORN



## Corn values to reach record highs — increased acreage for US corn a certainty

- Demand has not yet shown significant declines despite lower US and Argentine corn production.
- US ethanol production is on track to exceed USDA forecasts as discretionary blending remains profitable with corn trading at less than USD 7.50/bu..

Figure 8: Bullish CBOT corn price forecast maintained



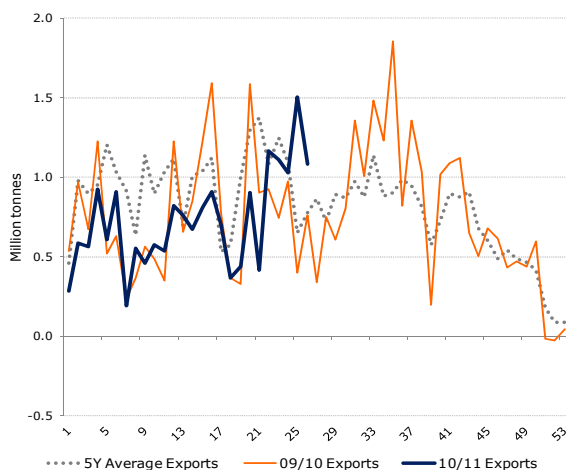
Source: Bloomberg, Rabobank

**Our bullish outlook for corn prices into Q2 is maintained, despite the uncertainty caused by unrest in the MENA region and the subsequent liquidation of long corn positions by investors.** Managed Money participants in the CBOT corn market cut their net long contracts by 34 thousand contracts or 8% from the second half of January as part of a shift away from agricultural exposure and into energy amid uncertainty in the MENA region. This resulted in spot CBOT corn shedding almost 10% in the last week of February.

The brief dip in futures prices during the second half of February was met with robust demand from commercials looking to extend coverage and lock in positive margins, particularly in the hog, cattle and ethanol industries. Corn export sales have also been robust in February, with sales on target to exceed the USDA's current export forecast, although the actual shipments have a little catching up to do. Unexpected sales to Mexico following their recent crop downgrade boosted February sales, reaching with a marketing year weekly high of 1.5 million tonnes. We expect final exports may now exceed USDA's current estimate of 1950 million bushels.

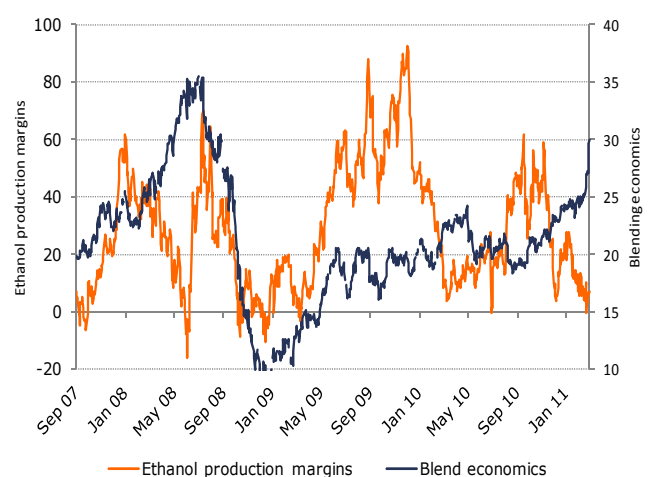
**A function of the shift in Managed Money direction (short ags/long energy) in recent weeks has helped support ethanol margins, with spot ethanol prices on CBOT being dragged to 3 year highs by strengthening oil prices.** This has shifted ethanol blending margins significantly higher, enabling blenders to lock in positive margins further into 2011 with stronger ethanol prices being met by a dip in corn prices. At the current production pace, ethanol in the US is on track to exceed the USDA's February WASDE forecast of 4950 million bushels by as much as 100 million bushels.

Figure 9: Mexican crop damage has benefitted US corn exports in February



Source: USDA, Rabobank

Figure 10: Stronger energy prices have provided a boost to US ethanol blenders margins



Source: Bloomberg, Rabobank

**The US corn balance sheet is already forecast to be incredibly tight this season, with ending stocks expected to fall below 700 million bushels.** In our view, the market cannot afford to be sending a signal to consumers, trying to increase their demand beyond what is expected, since ending stocks are already projected to fall to wafer-thin levels this season.

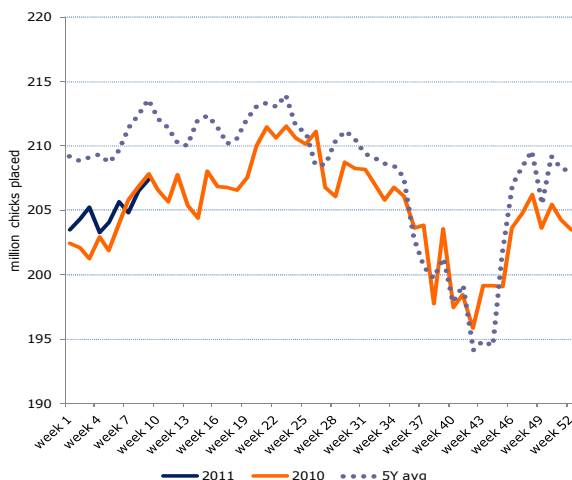
The poultry industry in the US appears to be the most likely chink in the demand chain at present, with high feed costs and abundant supplies creating a significant cost-price squeeze for producers. However, we are not seeing any evidence of a contraction in production in the weekly USDA statistics - at this stage - with YTD egg sets and chicks placed currently running 1.0% and 0.5% up on the corresponding period last season, albeit well below their 5-year average levels. Producers seem unwilling to reduce production given the competitive environment and the need to maintain market share. They appear to be holding out for an uptick in product prices in the spring and summer.

Old crop/new crop CBOT corn spreads have now opened up to USD 1.30/bushel (May/December) — up 53% in February alone and a clear reflection of the tightness in the nearby contracts. Further widening to this spread can't be ruled out in coming months given the need for price to ration demand before the end of the season. New crop values appear to hold value at current levels, although this season is far from over and favourable growing conditions and above-trend yields would certainly take the wind out of December values.

**Corn is likely to do well in the annual struggle for additional crop acres in the spring plantings.** The price ratio of new crop November soybeans to December corn has fallen sharply in the second half of February, with corn significantly outperforming soybeans. Improved seasonal conditions in South America – with better crop prospects for both Brazil and Argentina – are resulting in a steady reduction of the La Niña weather risk premium in soybean prices. The new crop ratio has fallen as low as 2.18 in recent days. Using a rough rule of thumb, crop ratios below 2.3 will lead to additional corn acres. The actual additional acreage for corn will largely be determined by future price developments, the vagaries of weather and the appetite of the US farmer to plant additional corn on marginal ground following last season's disappointing yields for corn.

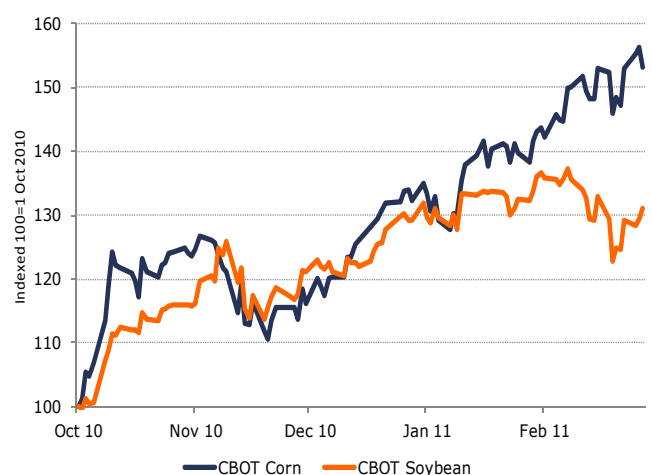
**At their annual Outlook conference on 24 and 25 February, USDA announced that they expected US farmers to plant 92 million acres of corn in 2011, an additional 3.8 million acres YOY.** In aggregate, US corn, soybeans and wheat acreage is estimated by the USDA to reach its highest level since 1984. Bottom line, even with an additional 3.8 million acres of corn in 2011, we still expect to see an extremely tight fundamental situation based on our demand projections for the 2011/12 season. Using the USDA's trend yield (1990-2010) of 161.7 bushels per acre, which is up on last season's 152.8 bushels per acre, but down on the 164.7 bushels per acre achieved in 2009, a production of 13.7 billion bushels will not be enough to lift end-of-season carry-outs above 900 million bushels. A repeat of last season's yield would result in widespread demand destruction given the incredibly tight supply situation. ↗

**Figure 11: Looking for demand destruction in poultry but chick placements continue to increase YOY**



Source: Bloomberg, Rabobank

**Figure 12: Corn prices have outperformed soybeans, which should result in increased US corn acreage planted in 2011**



Source: Bloomberg, Rabobank



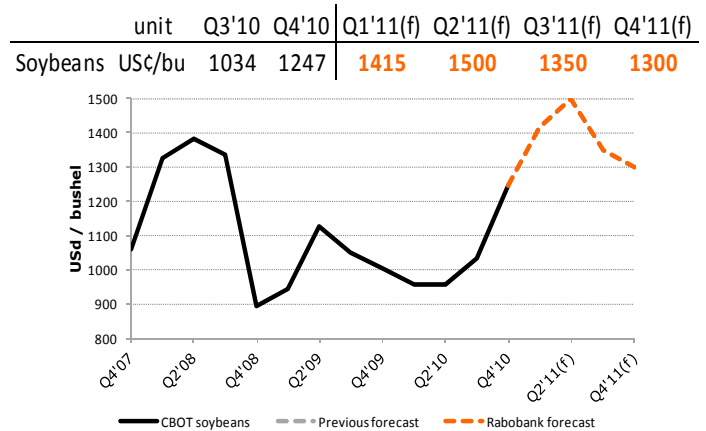
## SOYBEANS



### Higher prices required to prevent end-user demand from increasing further

- Soybean prices find bullish support from biodiesel demand as a result of surging energy prices.
- US soybean ending stocks continue near record lows due to the delayed Brazilian harvest and competition for acreage with corn.

Figure 13: CBOT soybean prices will continue to rise

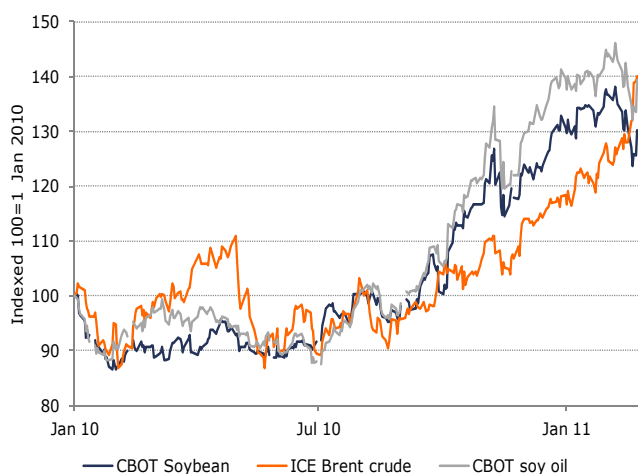


Source: Bloomberg, Rabobank

**Soybean prices must recover from the recent price correction in order to reduce end-user demand.** Nearby CBOT soybean prices retreated in February as energy prices and livestock prices continued to increase. This spurred renewed demand as end users were able to secure positive margins. Nearby CBOT soybean prices fell from their recent high of USD 14.51/bu on 9 February to USD 13.57/bu by 28 February. At the same time, nearby CME live cattle and lean hog futures reached new highs, supporting feed demand. Likewise, Brent crude oil prices rose to the highest level since 2008 and continue to push upward, allowing biodiesel producers to lock in positive margins for the first time in months. Given relatively minimal changes to global soybean supplies, we believe this price correction was driven largely by outside factors. We expect soybean prices to continue to push higher in 1H 2011 in order to further reduce demand of old crop soybeans while preventing a large YOY decline in US 2011/12 soybean planted area.

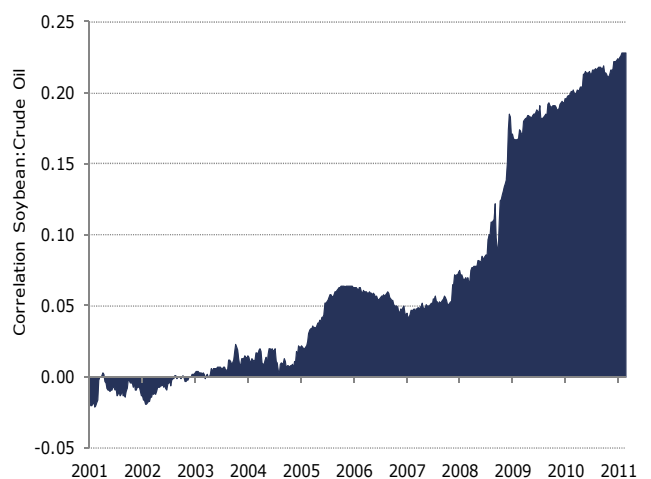
**Soy oil continues to outperform the soybean complex as a result of renewed biodiesel demand.** Until recently, higher energy prices had been the only factor differentiating the current price rally from 2008. However, with turmoil in the MENA region, Brent crude oil has risen 20% YTD. This puts renewed upward price pressure on the soybean complex as the correlation between soybean and crude oil prices has increased in recent years due to biodiesel production. Within the current context of higher energy prices, European biodiesel producer margins recently returned to positive after months of being in the red. In the US, where a

Figure 14: Falling CBOT soybean prices and rising energy prices have increased biodiesel demand



Source: Bloomberg, Rabobank

Figure 15: Soybean prices have become increasingly correlated with energy prices



Source: Bloomberg, Rabobank

USD 1.00/gal subsidy was reinstated, biodiesel producers have been able to lock in positive margins for the first time since 2009. Should energy prices continue to rise, soybean prices must rise too, in order to prevent biodiesel margins from widening further and encouraging additional soybean demand.

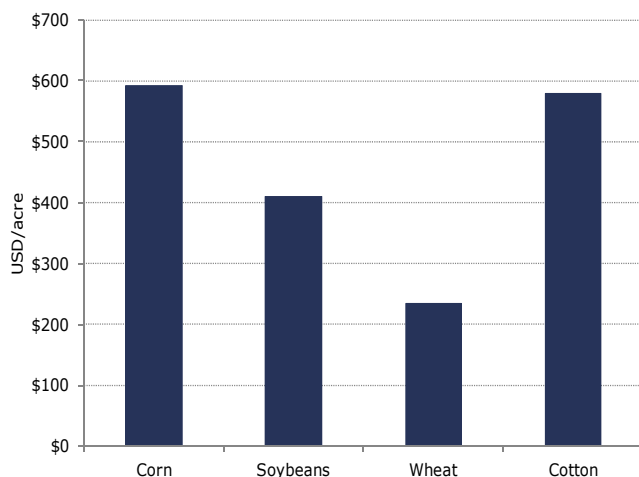
**Soybean supply concerns are lowered in the short term as Brazil is on track to produce a record 70 million tonne soybean crop.** We view this as neutral as US soybean export sales have already reached 90% of USDA’s 43.3 million tonne forecast. Furthermore, we maintain our 48 million tonne forecast for Argentina’s soybean crop, which will result in a modest 5 million tonne YOY decline in South American production versus our earlier expectation of a 7 million tonne decline. However, the seasonal move from North American to South American soybean exports will continue to put pressure on the US in coming weeks. Due to heavy rains, Brazil’s harvest is only 19% complete, as compared to 26% at this time last year. Brazil’s February 2011 exports were only 225 thousand tonnes, which is 66% lower than February 2010 and 84% below the 5-year average. Argentina’s harvest will not begin for another 2-3 weeks, which still leaves downside risk to yields. As a result, we expect US exports to remain strong well into March. It will be at least that long before Brazil is able to begin meeting China’s import demand in a sizeable way.

**The market has overestimated the likelihood that US soybean production will reach USDA’s forecast for 2011/12 soybean production.** USDA forecast that US planted acreage of soybean, corn, and wheat would increase 8 million acres YOY. This would be the largest increase since the Freedom to Farm Program was implemented in 1996 and the highest ever combined area planted to soybeans and corn. Their forecast includes a record soybean planted area of 78 million acres, of which 5 to 6 million acres will be double-cropped. In our view, however, we believe soybean planted area will actually decline 0.5 million acres YOY due to weather uncertainties and corn and cotton competing for acreage because of high prices.

**Average US farmers’ net profit margins favour increased corn and cotton plantings over soybean.** Given the strong price performance of CBOT corn, the ratio of nearby CBOT soybean to corn prices has dropped below 2.0 during February— a signal that corn acres will likely be favoured over soybeans. Similarly, cotton prices continue to reach record highs. This gives farmers less incentive to plant soybeans, as average US farmers’ revenue less variable costs for soybeans is USD 150-180/acre below corn and cotton.

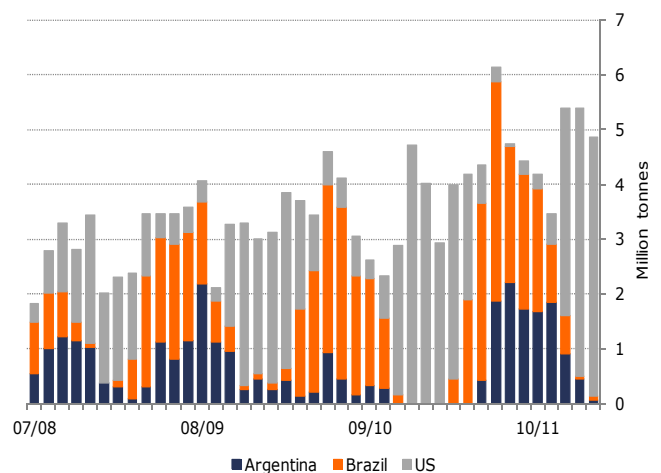
**Given the upward trajectory of energy prices and unlikely YOY increase in US soybean plantings, soybean prices must continue to rise.** We view the recent pullback in soybean prices as unsustainable given the resulting increase in end user demand. The continued strong pace of demand will continue to draw down stocks in 2010/11, despite Brazil’s large soybean crop. This places increased pressure on North American soybean plantings which, at current prices, are anything but certain. Given that soybean to corn prices have dropped to below 2.0, we expect soybean prices will follow in order to ensure YOY US soybean planted acres remain stable or see only a modest decrease. ↗

**Figure 16: Average US farmers’ revenue less variable costs show cotton and corn as more profitable than soybeans**



Source: Bloomberg, USDA, Rabobank

**Figure 17: Rain in Brazil will delay China’s seasonal shift of imports from the US to South America**



Source: Bloomberg, USDA, Rabobank



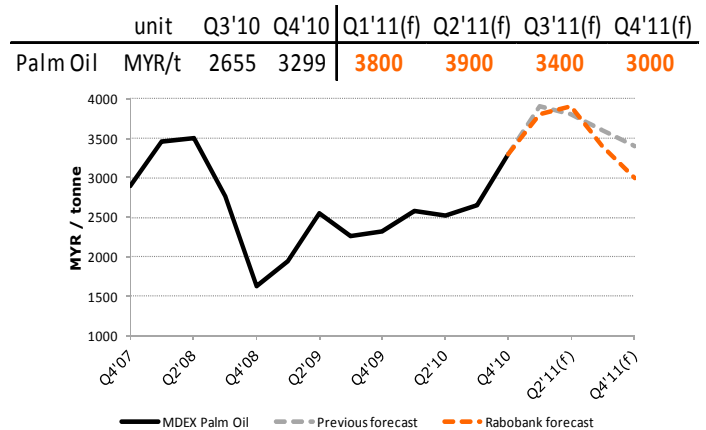
## PALM OIL



### Rising energy prices and the continued drawdown in stock levels will support prices through 1H 2011

- We maintain our MDEX Palm Oil Q1 and Q2 price forecasts due to continued lower production in Malaysia and Indonesia.
- Prices will take direction from soybean oil and the energy complex as demand for biodiesel is renewed.

Figure 18: MDEX Palm oil prices will follow soy oil higher

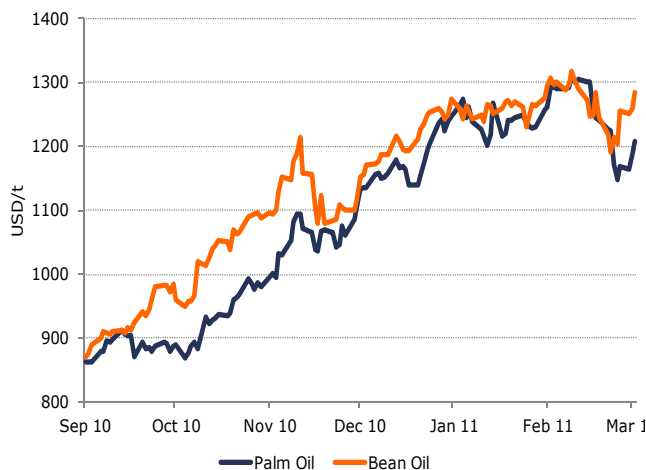


Source: Bloomberg, Rabobank

**Palm oil prices are likely to see further upside in the short term, following high soybean oil prices.** We believe the recent pullback in prices was largely driven by outside factors as heavy rainfall has continued to negatively impact production in Malaysia and Indonesia. Malaysia’s production declined for the third consecutive month to 1.06 million tonnes in January — a 14% decline from December and their lowest January production in 5 years. At the same time, their exports fell to the lowest level since 2007 at 1.09 million tonnes. Still, the lower export pace was not enough to offset production losses, and stocks fell for a fourth consecutive month to 1.4 million tonnes. Indonesia’s increased domestic usage of palm oil for biodiesel production will combine with lower yields to provide little additional export availability.

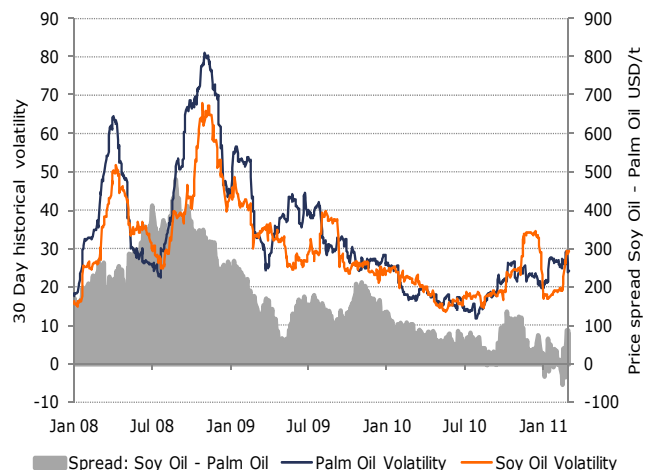
**We still expect production delays in March to cause palm oil prices to continue following soybean oil prices in the short term.** In our view, USDA’s forecast for Malaysia’s palm oil production in 2010/11 at 18 million tonnes is overstated by more than 1 million tonne. As a result we expect palm oil prices will continue to rise into April as their stocks are further reduced to a seasonal low with the spread between palm oil and soybean oil will remain tight until then. However, improved weather forecasts could increase production in Malaysia and Indonesia thereafter, which would widen the spread to levels closer to the long-term average. Furthermore, the high correlation between energy prices and vegetable oils will give additional upside pressure as biofuel production increases. With multiple outside factors contributing to palm oil prices in coming months, we expect price volatility to continue to increase. ↗

Figure 19: Limited palm oil production will give prices further upside along with bean oil prices



Source: Bloomberg, Rabobank

Figure 20: Palm oil price volatility will continue to increase on the back of rising energy prices and low supplies



Source: Bloomberg, Rabobank

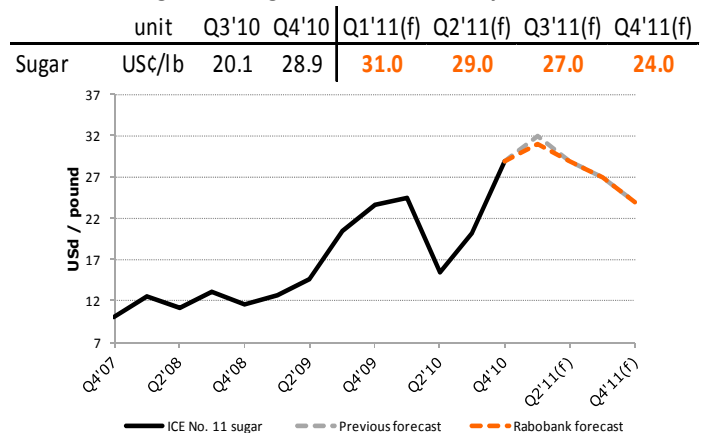
## SUGAR



**Lack of robust physical demand has resulted in sugar prices losing momentum as the Central/South Brazilian harvests looms**

- Values are still expected to remain supported by tight fundamentals, but further weakness could result in more fund liquidation and further correction
- The unstable macro environment, concerns about high oil prices plus the fragile nature of the economic recovery will likely keep investors on edge and volatility high

**Figure 21: Sugar #11 forecast mostly stable**

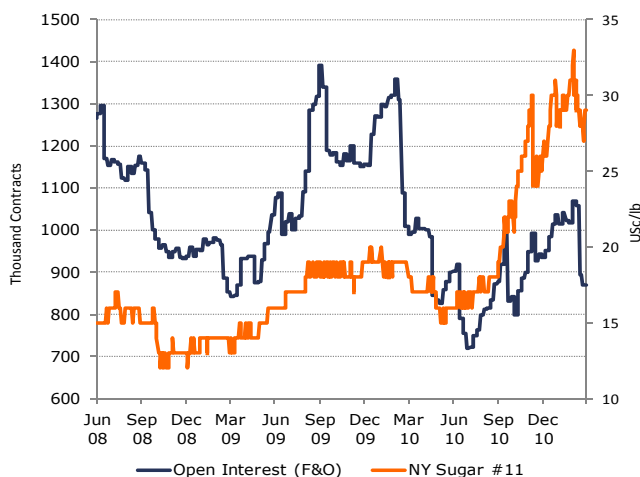


Source: Bloomberg, Rabobank

**In our view, sugar prices are likely to continue to ease, but slowly, as fundamentals buttress values.** The sugar #11 contract is down 11% since early February because of low cash market demand and expectations that supply in the short term may not be as tight as first envisioned due to a better-than-expected supply from Thailand. Liquidation has been prevalent in the markets in recent weeks and open interest in the sugar #11 contract fell 17% from the first week of February to 22 February. The price of sugar remains supported by the low inventories around the world, the need to restock and increasing use. In our view, however, the current values are very high and are likely to come down as the Brazilian 2011/12 Centre South cane crush begins in less than a month and better indications become available of the beet area in the Northern Hemisphere. As stocks are generally low, price spikes can be expected in the event of negative weather constraining the Brazilian crush or negatively impacting the beet crop.

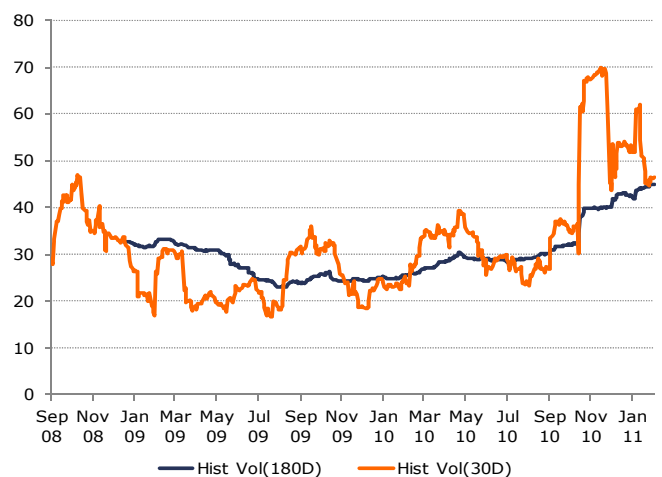
**Sugar price volatility has decreased, but remains high as the lower global inventories and tumultuous macro environment trigger large selloffs countered with buying sprees.** Global ending stocks for 2010/11 (Oct/Sep) are forecast at 55 million tonnes, only slightly up from the 54 million tonnes of the previous season. The low level of stocks coupled with growing demand, which is expected to increase 2% for 2010/11 to a record 166 million tonnes, and heightened speculator interest will probably help keep volatility at historically elevated levels until stocks can be replenished.

**Figure 22: Open interest in the NY sugar market has dropped in February as speculators pare positions, weighing on prices**



Source: Bloomberg, Rabobank

**Figure 23: The volatility in the NY sugar market has come off in recent weeks, but still remains historically high**



Source: Bloomberg, Rabobank

**In Europe, a very public shortage of sugar prompted the EU to secure more supply in the short term.** While this is likely supportive for international prices, the bloc's expected larger domestic output in the new season looms and is bearish. The EU Commission has green-lighted imports of 300,000 tonnes of raw or refined sugar at zero duty, subject to a final vote, and the sugar management committee voted to allow the 500,000 tonnes of out-of-quota sugar to remain on the domestic market. This added supply of sugar will likely solve recent shortage problems, and it is also encouraging EU sugar producers to call on Brussels to allow more exports in the new season. European sugar producers are forecast to expand beet planted area by 5% in the new season.

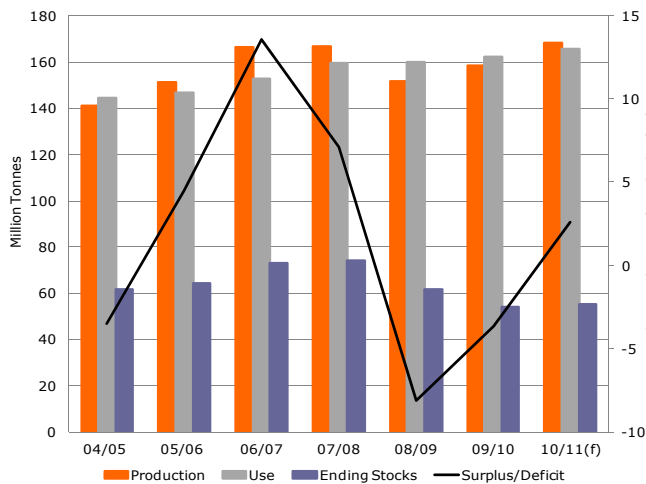
**The government deferred the final decision on OGL exports out of India until a better understanding of the crush size is available.** The market generally expects the 500,000 tonnes of be approved, but might have to wait at until mid March for the final decision. If the OGL sugar does not make the international market, an upward price reaction should be expected, but given the lack of buying and recent prices losses it is difficult to anticipate the magnitude of such a reaction. Reportedly, mills have been closing slightly ahead of normal in India. This may have no impact on the final crush, but as estimating Indian sugar production is rather difficult, this move may increase uncertainty and could support values moving forward.

**The USDA put domestic sugar output for 2010/11 at 8.0 million short tons, down from 8.1 the previous month, and forecast increased total use for the season.** The revision to production is expected to mean the US will need to import more sugar to meet demand. This supply should be available in Mexico, where output is forecast to increase 10% from the previous season. US sugar purchases from Mexico will reduce the amount of sugar available in the international market and consequently raise prices.

**Short-term Russian demand for international sugar is expected to increase.** The Russia, Kazakhstan and Belarus customs union decided to cut the import tariff for raw sugar from USD 140/tonne to USD 50/tonne in order to meet a deficit in supply caused by the devastation of the 2010 beet crop by a drought. The recent high domestic prices in Russia fell and the nation is expected to secure sugar from the international market soon. We are forecasting Russian imports to increase to 2.95 million tonnes in 2010/11 from 2.03 million the previous season. The deficit in Russia could be reduced in the new season as the beet area may increase by 10% on top of the 10% increase the previous season. With little desire to plant wheat due to the export ban, which could be extended for another season, many growers may see beets as a way to achieve higher returns.

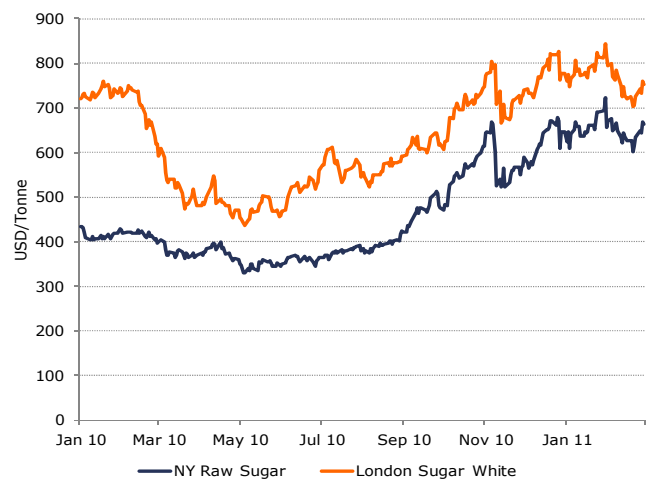
**While tight fundamentals will remain a focal point in the sugar market prices are expected to fluctuate notably due to outside markets.** Investors are quick to sell in the market as evidenced by large corrections in the past five months, and we do not think this will change looking ahead. Further outside impacts can be expected in the new season, and while the underlying fundamentals in sugar may not be directly impacted, the price movement could be volatile. ↗

**Figure 24: Sugar ending stocks remain low despite the market moving out of deficit for the first time in two seasons**



Source: Rabobank

**Figure 25: Sugar prices have remain range-bound since the start of 2011**



Source: Rabobank, Bloomberg

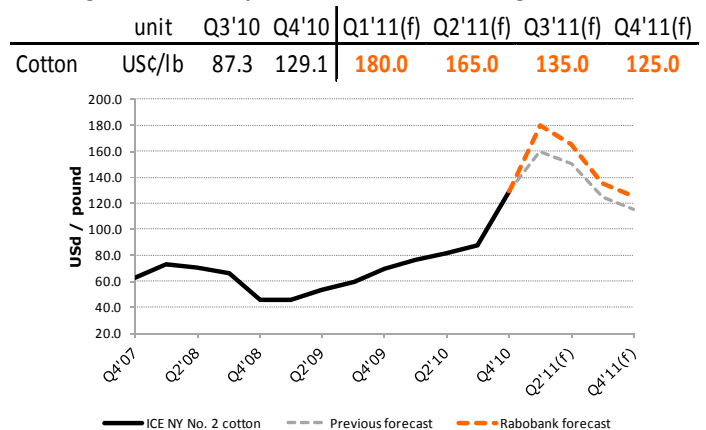
## COTTON



**Prices have shot back up and are expected to remain high because of planting risks and the need for demand rationing**

- Prices continue to be vulnerable to large sell-offs, but with very tight fundamentals and strong cash prices, values are expected to remain high
- Global planted area for the coming season is forecast to be the largest since 1995 and production could be a record

**Figure 26: Cotton price forecast raised on heightened risk**

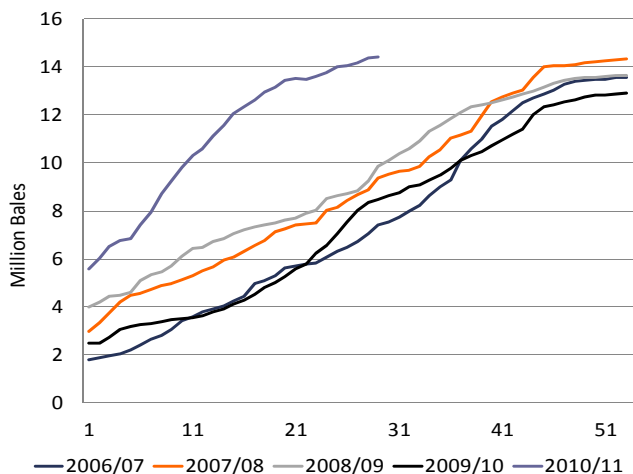


Source: Bloomberg, Rabobank

**Cotton prices are back near record highs after a significant sell-off was countered by bullish indicators; given the tight balance sheet we believe values have only limited downside bias.** Concerns that the market was getting too over-heated, coupled with a flight from risk due to geopolitical events and higher oil costs, sent the US futures cotton price down 15% in three sessions. This was quickly countered by the number one and two producers, China and India, revising their 2010/11 (Aug/Jul) harvests lower. With the ending stock forecasts, reduced prices shot back up, slowed only by the exchange limit. Export commitments out of the US continue at record pace and due to the razor-thin expected ending stocks, demand must be rationed as there is not enough cotton. The need to ration demand in a marketplace where mills have demonstrated a willingness to buy high-price fibre will keep values elevated and limit corrections. Prices could come under pressure when planting intentions are released by USDA at the end of March, but only if forecast increases are substantial.

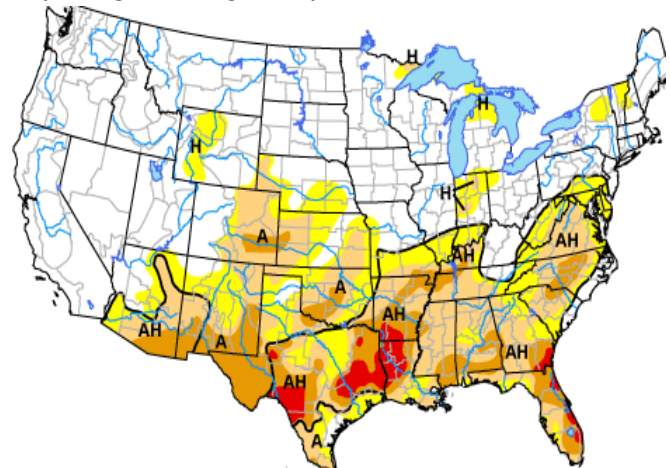
**While the US cotton planting season is still a month away, the current dry conditions in the South and a strong La Niña suggest that soil moisture deficiencies could be an issue.** La Niña has a strong correlation with dry and hot conditions in the South. NOAA has forecast the region to be hotter and drier than normal for the next three months. Between 21% and 25% of the cotton area in the US is currently classified as 'in a severe drought'. More than 52% of the area is in some sort of moisture deficiency. Because the US is the number one cotton exporter in the world, the reaction to delayed or constrained plantings would likely be significant.. ↗

**Figure 27: US cotton export commitments surge in response to Chinese and global demand**



Source: Rabobank, USDA

**Figure 28: Drought in large parts of the cotton-growing areas in the US and the continued La Niña in the Pacific do not bode well for planting, which begins in April**



Source: Rabobank, USDA

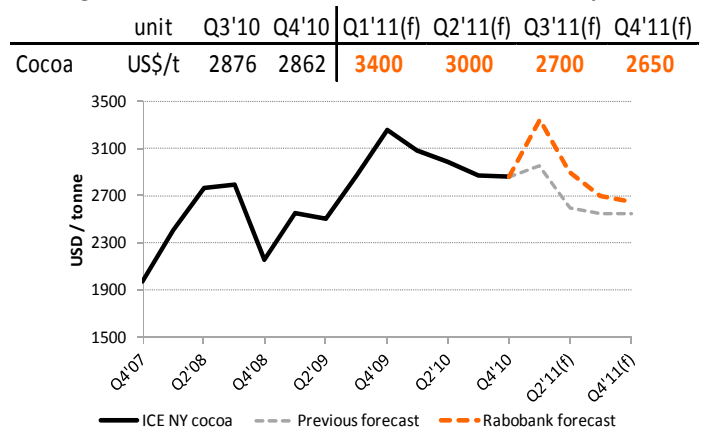
# COCOA



**With Ivory Coast on the brink of Civil War, cocoa nearby values have rallied, supply risk is high, but short term fundamentals are bearish**

- The deteriorating situation in Ivory Coast is expected to result in reduced quality of beans in the short term and may lower the coming harvest potential
- The market structure suggests the recent gains have been mostly speculative, and therefore could evaporate quickly if the Ivory Coast is resolved

**Figure 29: NY cocoa forecast raised due to outside impacts**

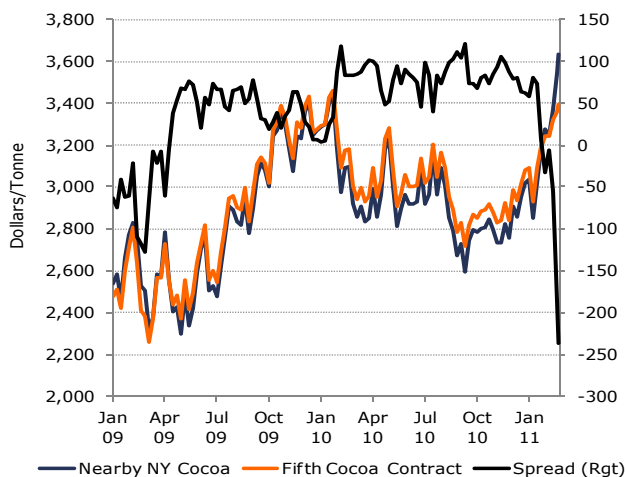


Source: Bloomberg, Rabobank

**The cocoa market in Ivory Coast has broken down due to the escalating violence and internationally imposed sanctions and this could impact the new mid crop and next season's production.** There is a large supply of beans currently and end users have good coverage, while future price increases are being driven by speculators in the nearby month. But due to the lack of credit, growers in Ivory Coast are receiving only half of what they were able to get only a month ago, and trade has begun to seize due to safety concerns. Good rains and a lack of detrimental winds suggest yields should be good for the midcrop, which begins harvesting in April and moves into May, but if farmers are unable to harvest due to a lack of labour or are unwilling to harvest because of artificially depressed farm gate prices, the supply of beans internationally could shrink quickly. The mid crop may reach 300,000 tonnes in Ivory Coast if beneficial rains continue, but this could be notably lower if the civil strife escalates. Also, next season's main crop could be negatively impacted by the strife in the same way.

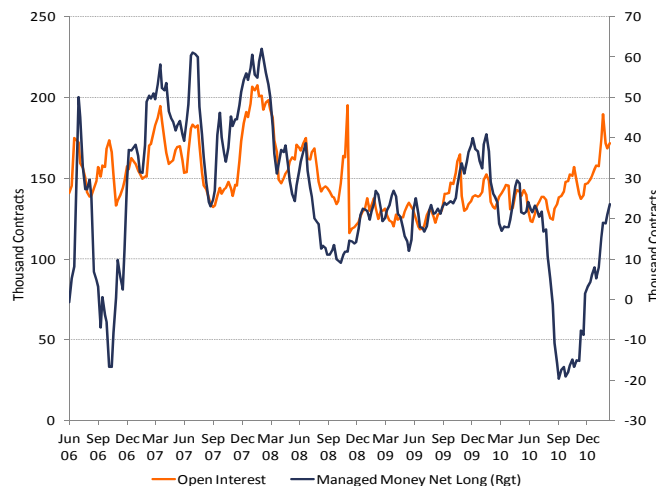
**The market has seen a steady influx of speculators since the Ivory Coast election, while the open interest has decreased since the start of February, suggesting recent gains are mainly speculator-driven.** The price rally comes in spite of the heavy fundamentals. The surging nearby contract's spread over the new crop contract has increased to historic highs despite the globe expecting a surplus of 116,000 tonnes in 2010/11 (Oct/Sep), the most for five years. The supply constraints have not materialised in the short term and we expect prices to fall, but upside remains for new season supply if the violence continues. ↗

**Figure 30: The nearby NY cocoa contract has risen much faster than the new season contract**



Source: Rabobank, CFTC

**Figure 31: Open interest has begun to slip while the speculator position continues to rise, suggesting an overbought market**



Source: Rabobank, CFTC

## COFFEE

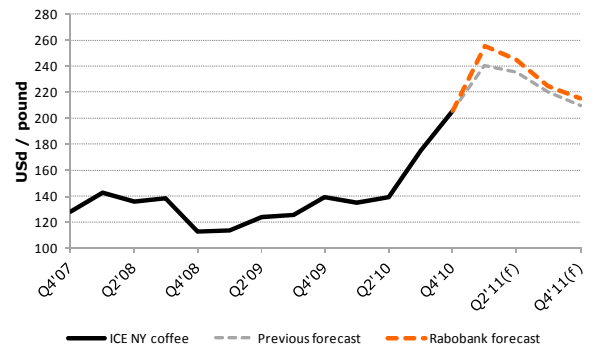


Arabica prices reached a new 13-year high only to fall as user buying faded; the market is currently speculator-driven, but also supported by tight fundamentals

- Increased supply from Central America has had little impact on lowering Arabica prices in NY
- Recent gains have been mostly speculator-based, and the market has not been able to muster the momentum to pass the 280 level for arabica

Figure 32: The “C” contract price forecast was revised upwards

unit	Q3'10	Q4'10	Q1'11(f)	Q2'11(f)	Q3'11(f)	Q4'11(f)
Coffee US\$/lb	175	205	255	245	225	215

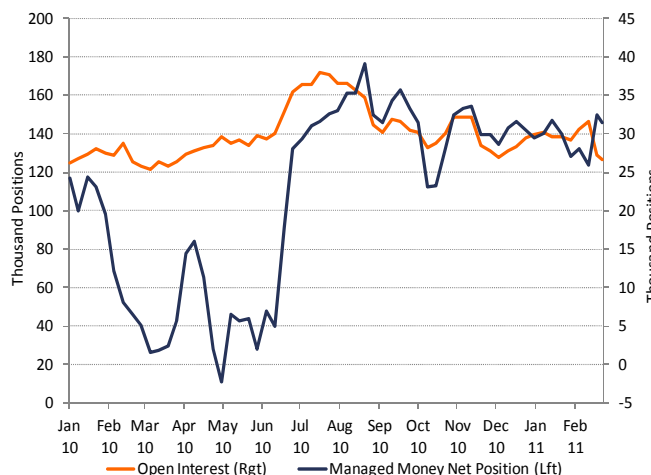


Source: Bloomberg, Rabobank

In our view, Arabica coffee prices remain supported as we move into a deficit marketing year, but the market may need new bullish news to continue to rally. While adjustments have lowered crop expectation, resulting in lower stocks than anticipated at the end of the 2010/11 (Oct/Sep) season, and many roasters are soon expected to come on the market to buy, there are also some bearish indicators in the market. Roaster buying has faded of late; recent gains have been speculator-driven and supply from Central America has been spurred by prices and is very strong. Open interest in the Arabica market in NY has slipped in February, while the speculator net long position has grown. With prices range-bound since 18 February and the prospect of speculator liquidation looming, we believe the market requires a new bullish influence to continue to grow.

The current rally has been impressive, with Arabica values in NY up 100% in nine months; prices have still to reached the heights of 1977 or 1997, but a disruption in output would likely mean values would knock out the previous records. The recent price gains have been built on diminished Colombian output in the past three seasons, strong global demand and lower than expected global production in 2010. The rally is lacking the major crisis, be it frost or labour issues, that pushed values up to the previous records in 1977 and 1997. If such a crisis should occur, given the demand and very low stocks, we would expect new records. So far however, this doomsday scenario has not materialised and the crop in Brazil looks good due to abundant rainfall. We do not believe prices have much potential to move significantly lower with the expected ending stocks and current demand. Also the risk premium associated with weather and the crop in Brazil and Colombia will offer added support for values. But due to the good conditions and high prices encouraging selling we think output from Brazil will be high for an off year crop, and we believe this will result in easing prices in 2H 2011. ↑

Figure 33: The Managed Money net long position in NY coffee is up 13% in February, while the open interest has fallen 14%



Source: Rabobank, CFTC

Figure 34: NY coffee spot contracts rallies in 1976/77, 1996/97 shared similarities with the current rise



Source: Rabobank, Bloomberg



## Monthly Chart Pack

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### Global Agri Commodity Balance Sheets

Global Corn Supply & Demand							USDA	Rabobank
(1000 Ha/1000 Mt)	04/05	05/06	06/07	07/08	08/09	09/10	10/11(f)	10/11(f)
Beginning Stocks	105,207	131,706	124,594	110,069	131,356	147,824	145,156	145,156
Area Harvested	145,297	145,535	149,577	160,534	158,164	156,680	160,389	160,389
Yield	4.9	4.8	4.8	4.9	5.0	5.2	5.1	5.1
Production	715,545	699,405	713,451	793,615	798,414	812,337	814,256	820,963
MY Imports	75,822	80,517	90,417	98,489	82,556	89,998	89,453	91,153
<b>Total Supply</b>	<b>896,574</b>	<b>911,628</b>	<b>928,462</b>	<b>1,002,173</b>	<b>1,012,326</b>	<b>1,050,159</b>	<b>1,048,865</b>	<b>1,057,272</b>
MY Exports	77,710	81,071	94,041	98,614	84,482	96,395	90,342	92,692
Feed Consumption	475,001	477,608	477,364	496,838	479,144	482,347	492,366	492,926
FSI Consumption	212,157	228,355	246,988	275,404	300,876	326,261	343,644	348,592
Total Consumption	687,158	705,963	724,352	772,242	780,020	808,608	836,010	841,518
<b>Total Usage</b>	<b>764,868</b>	<b>787,034</b>	<b>818,393</b>	<b>870,856</b>	<b>864,502</b>	<b>905,003</b>	<b>926,352</b>	<b>934,210</b>
Surplus Deficit	28,387	-6,558	-10,901	21,373	18,394	3,729	-21,754	-20,555
Ending Stocks	131,706	124,594	110,069	131,317	147,824	145,156	122,513	123,062
Stocks/Usage	19.2%	17.6%	15.2%	17.0%	19.0%	18.0%	14.7%	14.6%

Global Soybean Supply & Demand							USDA	Rabobank
(1000 Ha/1000 Mt)	04/05	05/06	06/07	07/08	08/09	09/10	10/11(f)	10/11(f)
Beginning Stocks	37,885	47,473	53,237	62,990	52,912	44,071	60,170	60,170
Area Harvested	93,176	92,916	94,256	90,674	96,398	101,860	102,970	102,970
Yield	2.3	2.4	2.5	2.4	2.2	2.6	2.5	2.5
Production	215,777	220,670	237,126	221,006	211,964	259,990	256,102	256,114
MY Imports	63,473	64,129	69,066	78,118	77,175	87,439	95,869	89,899
<b>Total Supply</b>	<b>317,135</b>	<b>332,272</b>	<b>359,429</b>	<b>362,114</b>	<b>342,051</b>	<b>391,500</b>	<b>412,141</b>	<b>406,183</b>
MY Exports	64,752	63,804	71,321	79,589	76,851	92,783	98,648	93,882
Crush	175,856	185,188	195,610	201,819	192,911	209,512	225,161	222,969
Seed/Feed/Residual	29,054	30,043	29,508	27,800	28,218	29,035	30,123	30,384
Total Consumption	204,910	215,231	225,118	229,619	221,129	238,547	255,284	253,353
<b>Total Usage</b>	<b>269,662</b>	<b>279,035</b>	<b>296,439</b>	<b>309,208</b>	<b>297,980</b>	<b>331,330</b>	<b>353,932</b>	<b>347,235</b>
Surplus/Deficit	9,588	5,764	9,753	-10,084	-8,841	16,099	-1,961	-1,222
Ending Stocks	47,473	53,237	62,990	52,906	44,071	60,170	58,209	58,948
Stocks/Usage	23.2%	24.7%	28.0%	23.0%	19.9%	25.2%	22.8%	23.3%

Global Wheat Supply & Demand							USDA	Rabobank
(1000 Ha/1000 Mt)	04/05	05/06	06/07	07/08	08/09	09/10	10/11(f)	10/11(f)
Beginning Stocks	134,225	153,274	150,313	130,646	124,417	166,823	197,664	197,664
Area Harvested	217,605	219,687	213,261	217,908	225,361	226,607	222,220	222,220
Yield	2.9	2.8	2.8	2.8	3.0	3.0	2.9	2.9
Production	626,693	619,224	596,106	611,231	684,160	682,602	645,410	638,861
MY Imports	109,969	111,101	114,589	113,666	136,933	133,684	122,780	123,280
<b>Total Supply</b>	<b>870,887</b>	<b>883,599</b>	<b>861,008</b>	<b>855,543</b>	<b>945,510</b>	<b>983,109</b>	<b>965,790</b>	<b>959,805</b>
MY Exports	111,826	116,835	111,598	117,416	143,660	135,746	125,340	120,254
Feed Consumption	106,580	112,585	107,902	98,117	117,935	116,627	123,100	126,112
FSI Consumption	499,207	503,866	510,862	515,593	517,092	533,072	542,130	546,330
Total Consumption	605,787	616,451	618,764	613,710	635,027	649,699	665,230	672,442
<b>Total Usage</b>	<b>717,613</b>	<b>733,286</b>	<b>730,362</b>	<b>731,126</b>	<b>778,687</b>	<b>785,445</b>	<b>790,570</b>	<b>792,696</b>
Surplus Deficit	20,906	2,773	-22,658	-2,479	49,133	32,903	-19,820	-33,581
Ending Stocks	153,274	150,313	130,646	124,417	166,823	197,664	177,770	167,109
Stocks/Usage	21.4%	20.5%	17.9%	17.0%	21.4%	25.2%	22.5%	21.1%

Source: USDA, Rabobank

### Global Agri Commodity Balance Sheets

Global Cotton Supply & Demand							USDA	Rabobank
(1000 Ha/1000 480lb Bales)	04/05	05/06	06/07	07/08	08/09	09/10	10/11(f)	10/11(f)
Beginning Stocks	48,084	60,575	61,841	62,108	60,728	60,522	43,990	43,845
Area Harvested	35,724	34,751	34,584	32,926	30,600	30,148	33,316	33,316
Yield	3.4	3.4	3.5	3.6	3.5	3.4	3.5	3.3
Production	121,569	116,478	121,746	119,675	107,102	101,544	115,250	111,165
MY Imports	33,840	44,769	38,055	38,991	30,023	35,875	38,100	39,500
<b>Total Supply</b>	<b>203,493</b>	<b>221,822</b>	<b>221,642</b>	<b>220,774</b>	<b>197,853</b>	<b>197,941</b>	<b>197,340</b>	<b>194,510</b>
MY Exports	35,014	44,944	37,525	38,978	30,065	35,600	38,345	39,500
Loss	-1,170	-1,743	-1,786	-2,154	-2,679	-23	-136	-136
Use	109,074	116,780	123,795	123,337	109,945	118,519	116,550	117,505
Total Domestic Use	107,904	115,037	122,009	121,183	107,266	118,496	116,414	117,369
<b>Total Usage</b>	<b>142,918</b>	<b>159,981</b>	<b>159,534</b>	<b>160,161</b>	<b>137,331</b>	<b>154,096</b>	<b>154,759</b>	<b>156,869</b>
Surplus/Deficit	12,491	1,266	267	-1,495	-206	-16,677	-1,409	-6,204
Ending Stocks	60,575	61,841	62,108	60,613	60,522	43,845	42,581	37,641
Stocks/Usage	56.1%	53.8%	50.9%	50.0%	56.4%	37.0%	36.6%	32.1%

Global Coffee Supply & Demand							USDA	Rabobank
(1000 60 kg bags)	04/05	05/06	06/07	07/08	08/09	09/10	10/11(f)	10/11(f)
Beginning Stocks	40,345	41,664	32,629	35,108	30,163	36,968	25,838	30,620
Arabica Production	77,994	69,802	82,224	73,145	82,886	73,920	85,780	84,605
Robusta Production	43,243	46,894	49,569	48,814	50,712	52,971	53,279	53,529
Total Output	121,262	116,721	131,818	121,984	133,623	126,916	139,084	138,134
MY Imports	93,011	92,195	97,360	96,819	96,746	98,815	102,413	100,000
<b>Total Supply</b>	<b>254,618</b>	<b>250,580</b>	<b>261,807</b>	<b>253,911</b>	<b>260,532</b>	<b>262,699</b>	<b>267,335</b>	<b>268,754</b>
MY Exports	93,195	92,829	102,799	96,439	99,452	101,263	104,967	101,000
Soluble Use	13,684	12,963	12,857	13,584	12,376	13,144	13,865	13,600
Use	106,075	112,159	111,043	113,725	111,736	120,120	117,160	121,185
Total Consumption	119,759	125,122	123,900	127,309	124,112	133,264	131,025	134,785
<b>Total Usage</b>	<b>212,954</b>	<b>217,951</b>	<b>226,699</b>	<b>223,748</b>	<b>223,564</b>	<b>234,527</b>	<b>235,992</b>	<b>235,785</b>
Surplus/Deficit	15,187	4,562	20,775	8,259	21,887	6,796	8,059	3,349
Ending Stocks	41,664	32,629	35,108	30,163	36,968	30,620	31,343	32,969
Stocks/Usage	39.3%	29.1%	31.6%	26.5%	33.1%	25.5%	26.8%	27.2%

Global Cocoa Supply & Demand							Rabobank	
(1000 Tonnes)	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11(f)
Gross Production	3,551	3,381	3,786	3,434	3,752	3,605	3,613	4,012
Ivory Coast	1,350	1,286	1,408	1,229	1,382	1,222	1,222	1,320
Ghana	620	599	740	614	729	662	620	875
Net Production	3,486	3,256	3,748	3,400	3,694	3,542	3,576	3,910
Grindings	3,238	3,363	3,530	3,700	3,750	3,491	3,700	3,850
<b>Surplus/Deficit</b>	<b>313</b>	<b>18</b>	<b>256</b>	<b>-266</b>	<b>2</b>	<b>114</b>	<b>-87</b>	<b>162</b>
Ending Stocks	1,682	1,666	1,906	1,645	1,584	1,698	1,611	1,773
Stocks to Use	51.9%	49.5%	54.0%	44.5%	42.2%	48.6%	43.5%	46.1%

Source: USDA, ICCO, Rabobank

### US Agri Commodity Balance Sheets

US Corn Supply & Demand (1000 Ha/1000 Mt)					USDA	USDA	Rabobank	Rabobank
	06/07	07/08	08/09	09/10	10/11(f)	11/12(f)	10/11(f)	11/12(f)
Beginning Stocks	49,968	33,114	41,255	42,504	43,380	17,140	43,380	18,182
Area Harvested	28,586	35,014	31,796	32,169	32,941	34,358	32,941	34,236
Yield	9.4	9.5	9.7	10.3	9.6	10.2	9.6	10.0
Production	267,503	331,177	307,142	332,549	316,170	348,760	315,942	343,833
MY Imports	304	509	344	212	508	508	508	381
<b>Total Supply</b>	<b>317,775</b>	<b>364,800</b>	<b>348,741</b>	<b>375,265</b>	<b>360,059</b>	<b>366,414</b>	<b>359,830</b>	<b>362,395</b>
MY Exports	53,987	61,913	46,965	50,462	49,533	50,803	49,533	50,803
Feed Consumption	140,726	148,793	131,625	130,574	132,087	130,817	129,547	128,277
FSI Consumption	89,948	112,839	127,647	150,849	161,299	162,823	162,569	161,299
Total Consumption	230,674	261,632	259,272	281,423	293,385	293,640	292,115	289,575
<b>Total Usage</b>	<b>284,661</b>	<b>323,545</b>	<b>306,237</b>	<b>331,885</b>	<b>342,918</b>	<b>344,442</b>	<b>341,648</b>	<b>340,378</b>
Surplus Deficit	-16,854	8,141	1,249	876	-26,240	4,826	-25,198	3,455
Ending Stocks	33,114	41,255	42,504	43,380	17,140	21,972	18,182	22,017
Stocks/Usage	11.6%	12.8%	13.9%	13.1%	5.0%	6.4%	5.3%	6.5%

US Soybean Supply & Demand (1000 Ha/1000 Mt)					USDA	USDA	Rabobank	Rabobank
	06/07	07/08	08/09	09/10	10/11(f)	11/12(f)	10/11(f)	11/12(f)
Beginning Stocks	12,229	15,617	5,580	3,761	4,106	3,807	4,106	3,480
Area Harvested	30,190	25,959	30,222	30,907	31,023	31,202	31,023	30,797
Yield	2.9	2.8	2.7	3.0	2.9	2.9	2.9	2.9
Production	87,001	72,859	80,749	91,417	90,600	91,038	90,600	88,967
MY Imports	246	269	361	397	408	412	408	408
<b>Total Supply</b>	<b>99,476</b>	<b>88,745</b>	<b>86,690</b>	<b>95,575</b>	<b>95,114</b>	<b>95,256</b>	<b>95,114</b>	<b>92,855</b>
MY Exports	30,386	31,538	34,817	40,852	43,272	42,865	43,000	42,184
Crush	49,198	49,081	45,230	47,669	45,041	44,906	45,450	44,089
Seed/Feed/Residual	4,275	2,546	2,882	2,948	2,994	3,130	3,184	3,184
Domestic Consumption	53,473	51,627	48,112	50,617	48,035	48,036	48,634	47,273
<b>Total Usage</b>	<b>83,859</b>	<b>83,165</b>	<b>82,929</b>	<b>91,469</b>	<b>91,307</b>	<b>90,901</b>	<b>91,634</b>	<b>89,457</b>
Surplus/Deficit	3,388	-10,037	-1,819	345	-299	548	-626	-82
Ending Stocks	15,617	5,580	3,761	4,106	3,807	4,355	3,480	3,398
Stocks/Usage	18.6%	6.7%	4.5%	4.5%	4.2%	4.8%	3.8%	3.8%

US Wheat Supply & Demand (1000 Ha/1000 Mt)					USDA	USDA	Rabobank	Rabobank
	06/07	07/08	08/09	09/10	10/11(f)	11/12(f)	10/11(f)	11/12(f)
Beginning Stocks	15,545	12,414	8,323	17,867	26,562	22,261	26,562	22,251
Area Harvested	18,939	20,639	22,541	20,191	19,263	19,223	19,263	18,786
Yield	2.6	2.7	3.0	3.0	3.1	2.9	3.1	3.2
Production	49,217	55,821	68,016	60,366	60,091	56,086	60,091	60,063
MY Imports	3,317	3,065	3,456	3,228	2,994	2,794	2,994	2,994
<b>Total Supply</b>	<b>68,079</b>	<b>71,300</b>	<b>79,795</b>	<b>81,461</b>	<b>89,646</b>	<b>79,659</b>	<b>89,636</b>	<b>85,308</b>
MY Exports	24,725	34,363	27,635	23,977	35,380	29,212	35,380	35,380
Feed Consumption	3,186	434	6,946	4,072	4,627	4,445	4,627	5,171
FSI Consumption	27,754	28,180	27,347	26,860	27,379	25,909	27,379	27,923
Total Consumption	30,940	28,614	34,293	30,932	32,005	30,355	32,005	33,094
<b>Total Usage</b>	<b>55,665</b>	<b>62,977</b>	<b>61,928</b>	<b>54,909</b>	<b>67,385</b>	<b>59,566</b>	<b>67,385</b>	<b>68,474</b>
Surplus Deficit	-3,131	-4,091	9,544	8,685	-4,301	-686	-4,301	-5,417
Ending Stocks	12,414	8,323	17,867	26,562	22,261	20,092	22,251	16,834
Stocks/Usage	22.3%	13.2%	28.9%	48.4%	33.0%	33.7%	33.0%	24.6%

Source: USDA, Rabobank

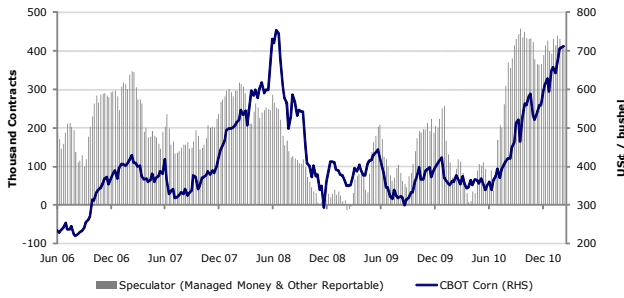
<b>US Cotton Supply &amp; Demand</b> <b>(1000 Ha/1000 480lb Bales)</b>	<b>06/07</b>	<b>07/08</b>	<b>08/09</b>	<b>09/10</b>	<b>USDA</b> <b>10/11(f)</b>	<b>Rabobank</b> <b>10/11(f)</b>	<b>Rabobank</b> <b>11/12(f)</b>
Beginning Stocks	6,069	9,479	10,051	6,337	2,950	3,107	1,857
US Area	5,152	4,245	3,063	3,047	4,334	4,360	5,300
Yield	4.2	4.5	4.2	4.0	4.2	4.2	4.0
Production	21,588	19,207	12,815	12,188	18,320	18,320	21,000
MY Imports	19	12	0	0	10	10	0
<b>Total Supply</b>	<b>27,676</b>	<b>28,698</b>	<b>22,866</b>	<b>18,525</b>	<b>21,280</b>	<b>21,437</b>	<b>22,857</b>
MY Exports	12,959	13,634	13,261	12,037	15,750	16,000	16,100
Loss	303	-429	-319	-80	-20	-20	-60
Use	4,935	4,584	3,587	3,461	3,600	3,600	3,500
Total Domestic Consumption	5,238	4,155	3,268	3,381	3,620	3,580	3,440
<b>Total Usage</b>	<b>18,197</b>	<b>17,789</b>	<b>16,529</b>	<b>15,418</b>	<b>19,370</b>	<b>19,580</b>	<b>19,540</b>
Net Trade	12,940	13,622	13,261	12,037	15,740	15,990	16,100
Surplus/Deficit	3,410	1,430	-3,714	-3,230	-1,040	-1,250	1,460
Ending Stocks	9,479	10,909	6,337	3,107	1,910	1,857	3,317
Stocks/Usage	52.1%	61.3%	38.3%	20.2%	9.9%	9.5%	17.0%

Source: USDA, Rabobank

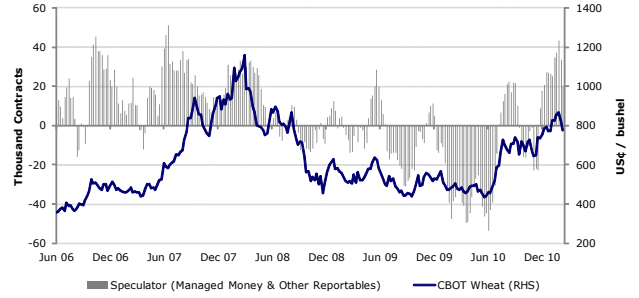
**Speculator Net Positions\***

February 1, 2011

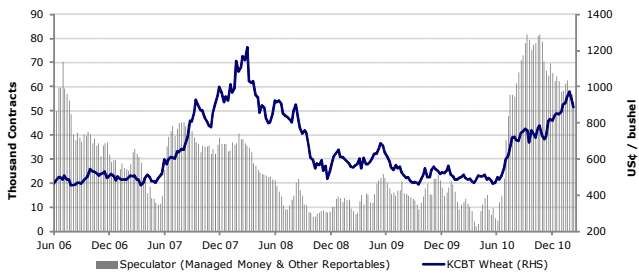
**Speculator Net Length vs. CBOT Corn**



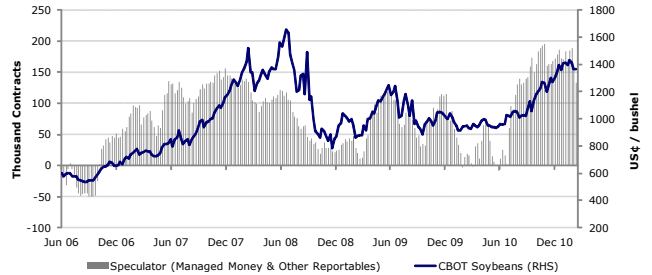
**Speculator Net Length vs. CBOT Wheat**



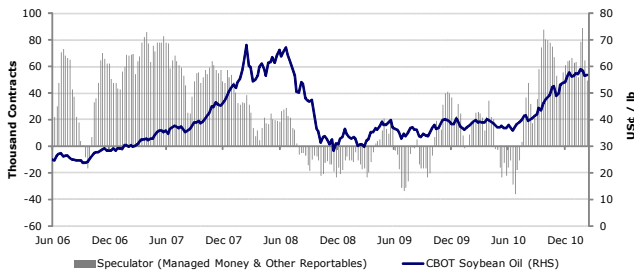
**Speculator Net Length vs. KCBT Wheat**



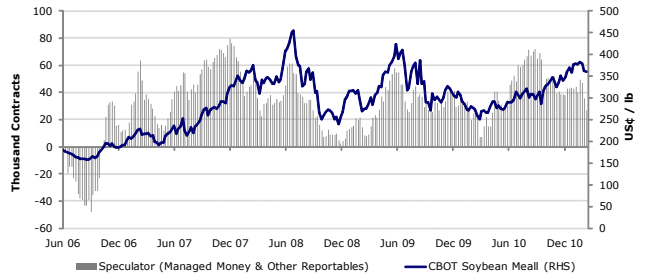
**Speculator Net Length vs. CBOT Soybean**



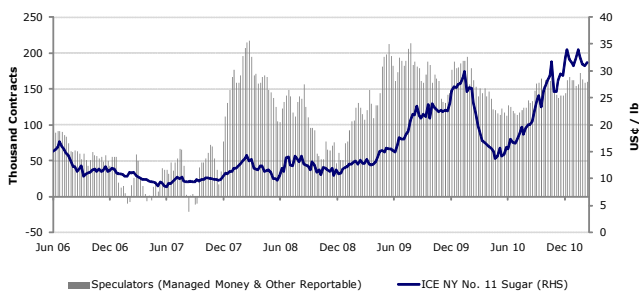
**Speculator Net Length vs. CBOT Soybean Oil**



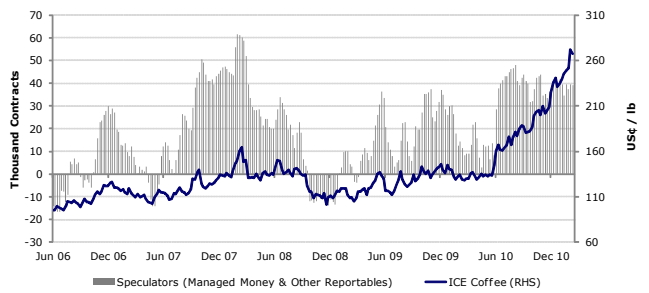
**Speculator Net Length vs. CBOT Soybean Meal**



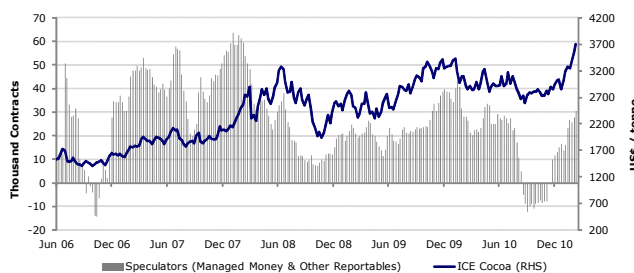
**Speculator Net Length vs. ICE No.11 Sugar**



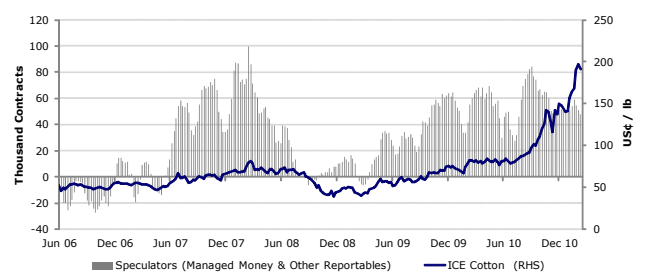
**Speculator Net Length vs. ICE Coffee**



**Speculator Net Length vs. ICE Cocoa**



**Speculator Net Length vs. ICE No.2 Cotton**

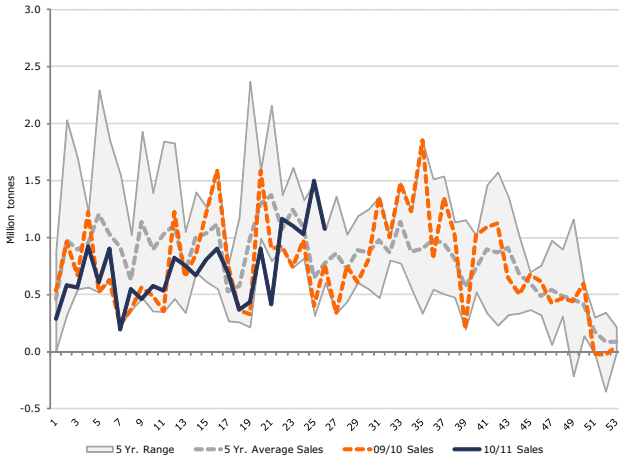


Source: CFTC, Bloomberg, Rabobank  
\* Includes futures and options

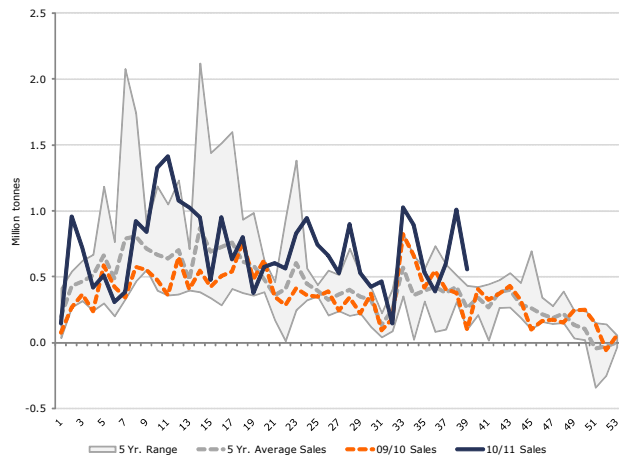


**US Export Sales / EU Export Licenses**

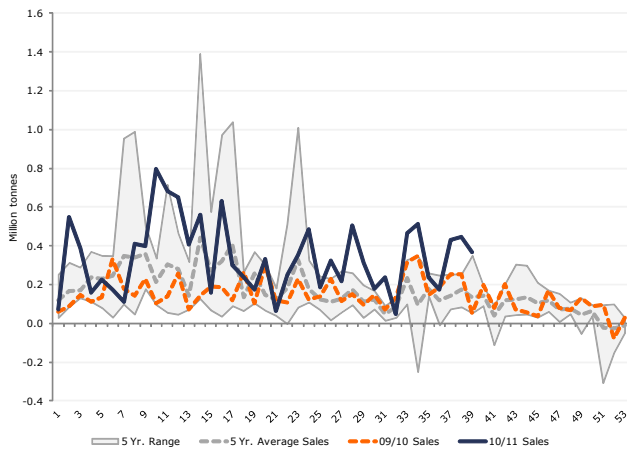
**Weekly US Corn Export Sales**



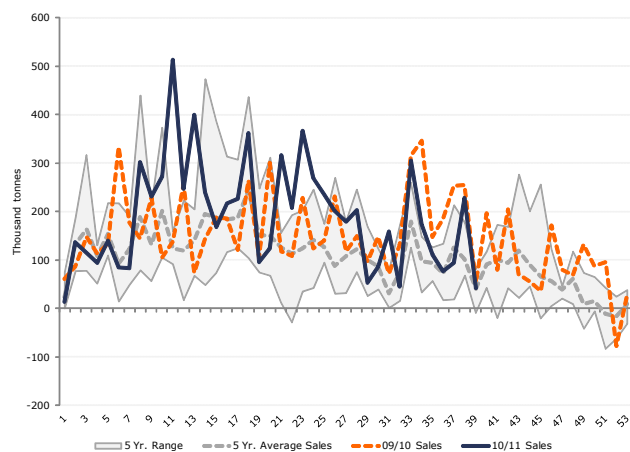
**Weekly US Wheat Export Sales (All Wheat)**



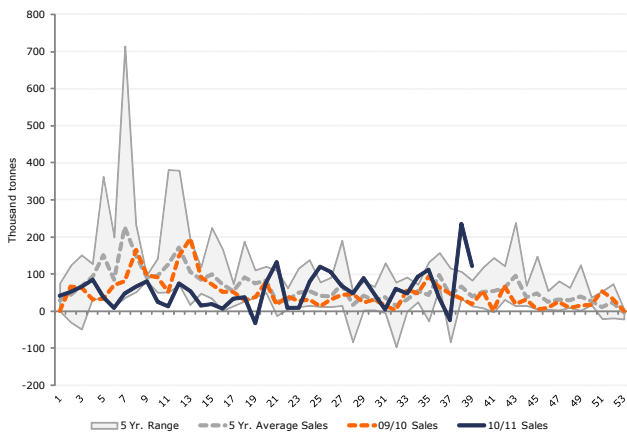
**Weekly US Hard Red Winter Wheat Export Sales**



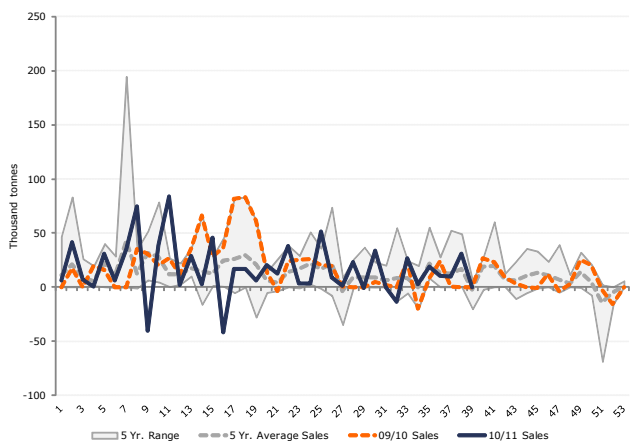
**Weekly US Hard Red Spring Wheat Export Sales**



**Weekly US Soft Red Winter Wheat Export Sales**



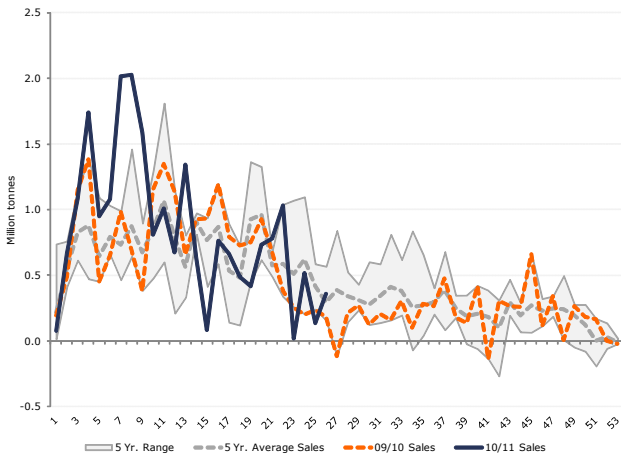
**Weekly US Hard Red Spring Wheat Export Sales**



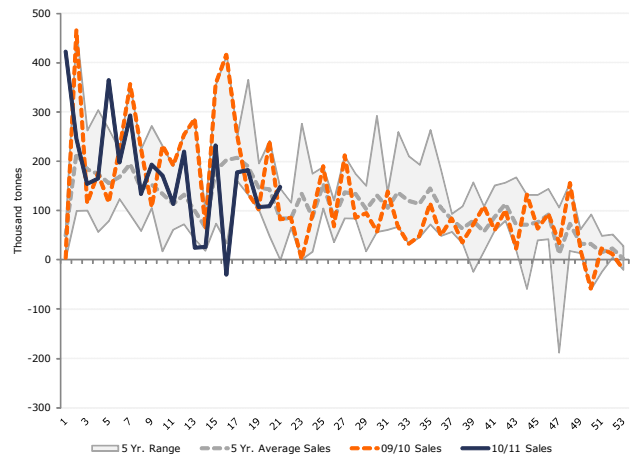
Source: USDA, EU Commission, Rabobank

**US Export Sales / EU Export Licenses**

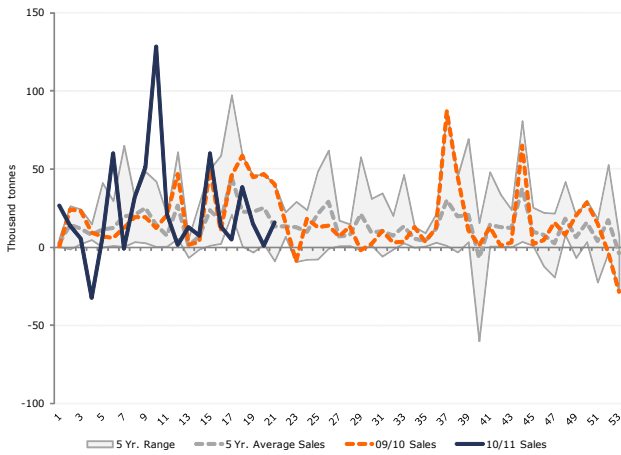
**Weekly US Soybean Export Sales**



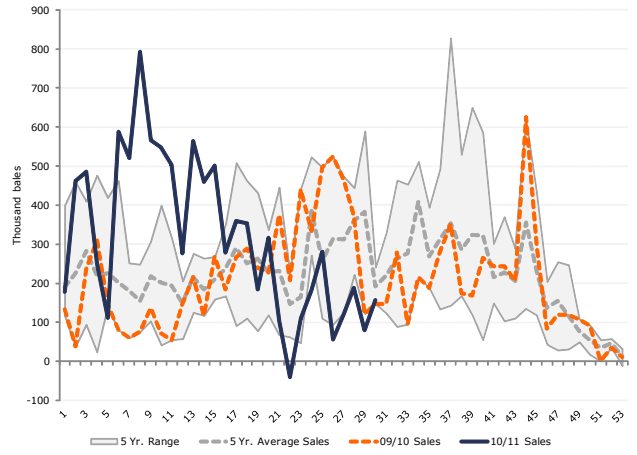
**Weekly US Soybean Meal Export Sales**



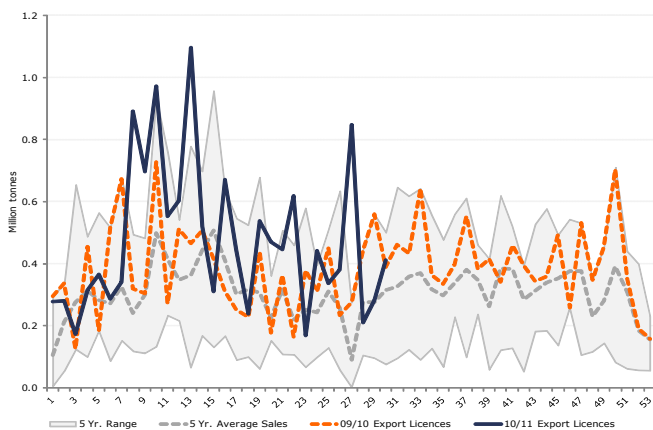
**Weekly US Soybean Oil Export Sales**



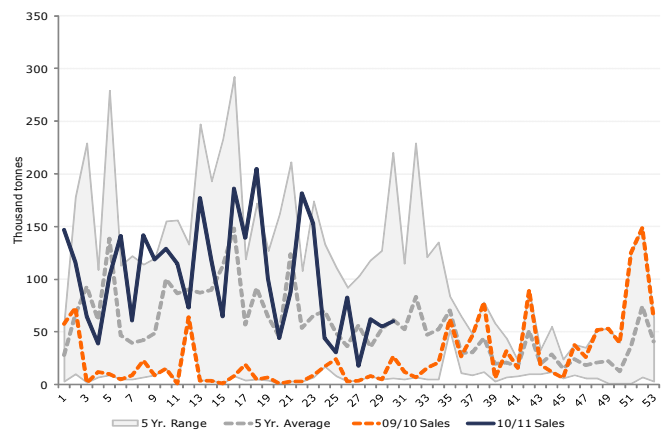
**Weekly US Cotton Export Sales**



**Weekly EU Wheat Export Licenses**



**Weekly EU Barley Export Licenses**



Source: USDA, EU Commission, Rabobank

## Benchmark Agricultural Commodity Prices

### Derivative Markets

As of: 03-Mar-2011

		Prices		Month on Month		Year-to-Date		Volatility						
		Current	Close Prev. Mth.	Net Chg.	Percent Chg.	Net Chg.	Percent Chg.	90D Historical	1 Mth. Chg.	3 Mth. Implied	1 Mth. Chg.	12 Mth Avg. Impl.	12 Mth High Impl.	12 Mth Low Impl.
<b>Grains &amp; Oilseeds</b>														
CBOT Wheat	US\$/bu	778.75	859.00	↓ -80.3	-9.3%	-15.50	-2.0%	36.9	#N/A	39.8	#N/A	35.6	54.5	26.0
KCBT Wheat	US\$/bu	900.00	952.75	↓ -52.8	-5.5%	49.00	5.8%	32.1	#N/A	36.7	#N/A	34.8	50.7	27.3
MGE Wheat	US\$/bu	931.50	1,010.25	↓ -78.8	-7.8%	50.00	5.7%	28.5	#N/A	35.8	#N/A	34.0	48.8	12.4
Matif Wheat	EUR/t	256.50	275.75	↓ -19.3	-7.0%	4.00	1.6%	25.0	#N/A	32.4	#N/A	28.1	52.7	16.8
CBOT Corn	US\$/bu	718.50	662.50	↑ 57.0	8.6%	90.50	14.4%	31.1	#N/A	39.1	#N/A	34.1	43.4	26.7
CBOT Soybeans	US\$/bu	1,384.00	1,435.50	↓ -51.5	-3.6%	-9.75	-0.7%	28.2	#N/A	26.8	#N/A	25.6	33.9	20.2
CBOT Soybean Meal	USD/st	359.00	386.40	↓ -27.4	-7.1%	-11.30	-3.1%	28.2	#N/A	25.4	#N/A	25.6	31.5	19.2
CBOT Soybean Oil	USD/lb	58.21	58.78	↓ -0.6	-1.0%	0.47	0.8%	27.2	#N/A	25.0	#N/A	23.0	29.5	18.3
MDEX Palm Oil	MYR/t	3,650.00	3,923.00	↓ -273.0	-7.0%	-164.00	-4.3%	25.0	#N/A	-	-	-	-	-
Matif Rapeseed	EUR/t	475.00	483.00	↓ -8.3	-1.7%	-22.50	-4.5%	20.1	#N/A	19.4	#N/A	19.8	31.8	31.8
ICE Canada Canola	CAD/t	585.10	612.00	↓ -26.9	-4.4%	1.30	0.2%	23.1	#N/A	19.8	#N/A	19.1	28.9	13.9
<b>Softs</b>														
ICE NY No. 11 Sugar	US\$/lb	30.16	32.04	↓ -1.8	-5.6%	-1.89	-5.9%	58.8	#N/A	45.3	#N/A	46.1	59.6	35.3
Liffe No. 5 Sugar	USD/t	751.90	814.20	↓ -62.3	-7.7%	-25.60	-3.3%	46.8	#N/A	39.8	#N/A	37.9	45.5	30.7
ICE NY Coffee	US\$/lb	270.75	251.35	↑ 19.4	7.7%	30.25	12.6%	30.6	#N/A	33.6	#N/A	35.3	46.3	25.7
Liffe Robusta Coffee	USD/t	2,348.00	2,239.00	↑ 109.0	4.9%	266.00	12.8%	27.0	#N/A	22.4	#N/A	29.3	37.8	21.5
ICE NY Cocoa	USD/t	3,701.00	3,352.00	↑ 349.0	10.4%	666.00	21.9%	29.2	#N/A	38.5	#N/A	32.4	37.8	29.3
Liffe Cocoa	GBP/t	2,384.00	2,191.00	↑ 192.0	8.8%	366.00	18.1%	26.9	#N/A	42.0	#N/A	30.1	36.5	26.7
ICE NY No. 2 Cotton	US\$/lb	204.45	176.22	↑ 28.2	16.0%	59.64	41.2%	49.7	#N/A	55.5	#N/A	33.5	62.3	22.1
<b>Livestock</b>														
CME Live Cattle	US\$/lb	113.03	108.20	↑ 4.7	4.4%	5.05	4.7%	11.9	#N/A	15.7	#N/A	14.9	17.6	13.1
CME Feeder Cattle	US\$/lb	129.75	125.50	↑ 4.2	3.4%	7.87	6.5%	12.3	#N/A	15.3	#N/A	14.0	16.6	11.5
CME Lean Hogs	US\$/lb	88.35	83.35	↑ 5.0	6.0%	8.58	10.8%	26.7	#N/A	20.4	#N/A	21.9	26.2	11.7
CME Pork Bellies	US\$/lb	116.50	112.00	↑ 4.5	4.0%	10.00	9.4%	9.8	#N/A	-	#N/A	30.5	145.9	20.3

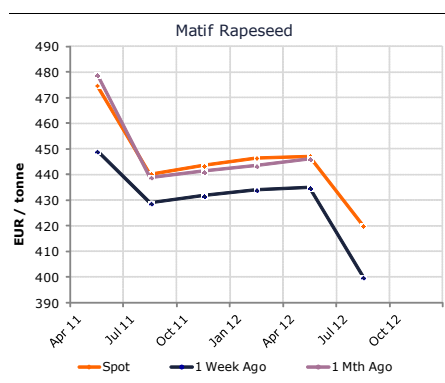
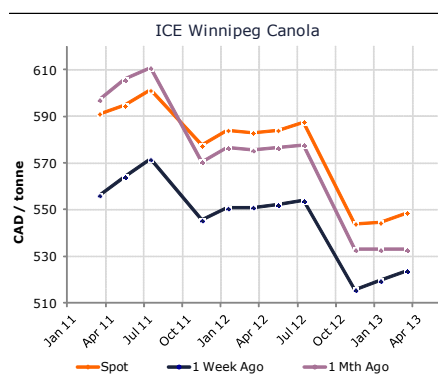
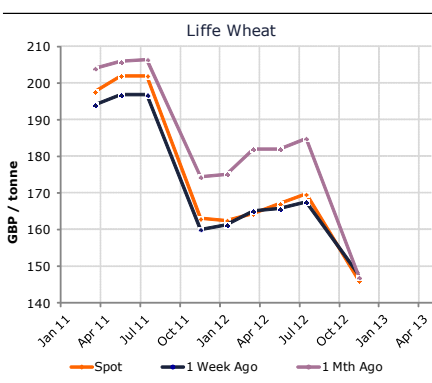
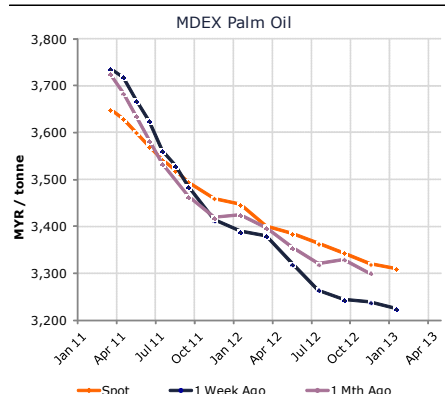
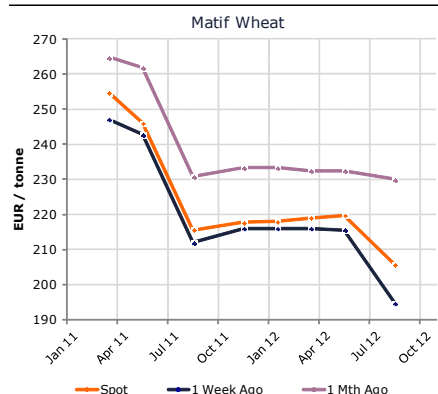
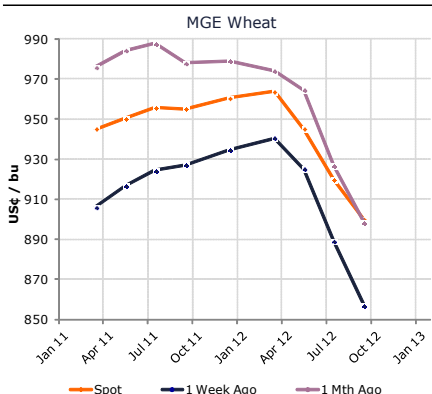
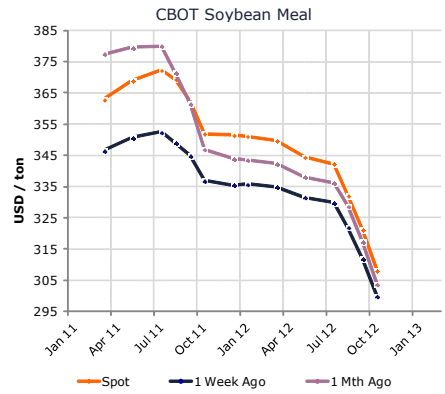
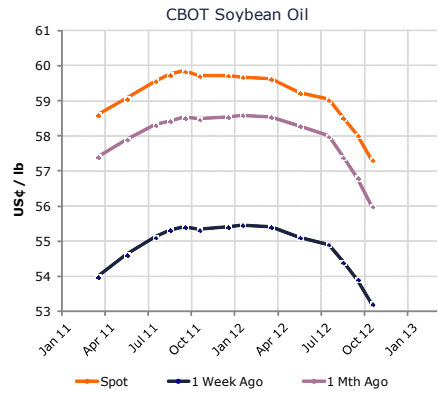
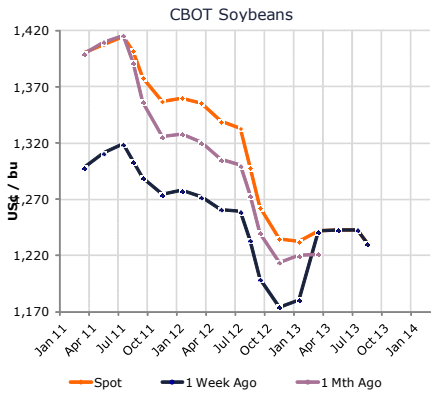
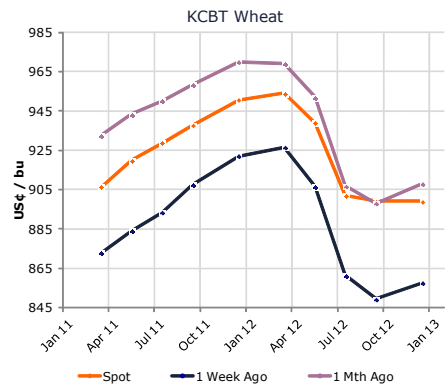
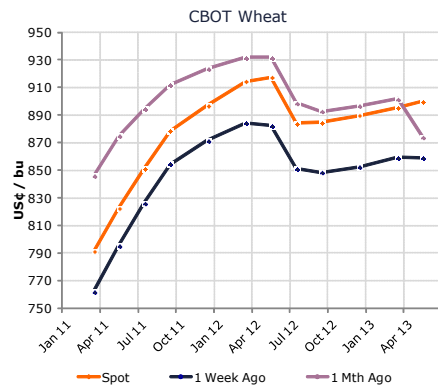
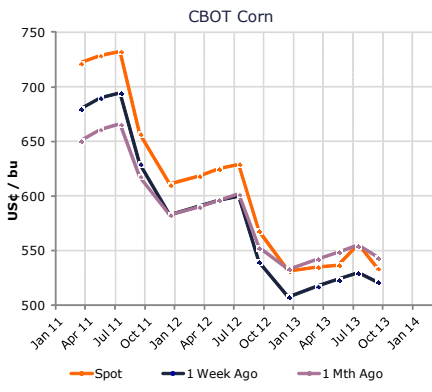
### Cash Markets

	Last Update	Price	1 Wk. Chg.	1 Mth. Chg.	12 Mth. Chg.	YTD Chg.		Last Update	Price	1 Wk. Chg.	1 Mth. Chg.	12 Mth. Chg.	YTD Chg.
<b>Milling Wheat</b>							<b>Soybeans</b>						
US SRW (CIF Gulf USD/bu)	02/03/2011	8.74	0.18	-0.72	3.37	0.19	US (FOB Gulf USD/t)	25/02/2011	512	-18	-31	142	-26
US HRW (CIF Gulf USD/bu)	02/03/2011	9.09	0.20	-0.53	3.77	0.59	Argentina (FOB USD/t)	16/07/2010	402	8	38	-9	-2
US DNS (CIF PNW USD/bu)	02/03/2011	11.89	0.59	0.06	5.07	2.40	Brazil (FOB USD/t)	25/02/2011	499	-18	-35	137	-32
Russia #4 (FOB Novo. USD/t)	18/10/2010	264	0	9	93	74	<b>Soybean Meal</b>						
French 11% (FOB Rouen USD/t)	02/03/2011	354	13	-29	189	27	US Hi Pro (FOB USD/ton)	02/03/2011	352	11	-23	62	-15
German B (CIF Hbg EUR/t)	25/02/2011	255	-11	-2	131	11	Argentina Hi Pro (FOB USD/t)	01/03/2011	399	15	-25	95	-19
<b>Feed Wheat/Barley</b>							<b>Vegetable Oils</b>						
Rouen Feed Barley (FOB USD/t)	28/02/2011	207.31	-8.00	-12.07	106.00	-3.14	Dutch 44-47% (FOB Rot. USD/t)	03/02/2011	456	17	3	52	24
Ukraine Feed Wheat (USD/t)	11/01/2011	260.00	0.00	10.00	89.00	0.00	US Soybean Oil (FOB US\$/lb)	02/03/2011	55.8	4.0	-0.2	19.1	1.7
<b>Corn</b>							<b>Coffee</b>						
US No. 2 (CIF Gulf USD/bu)	02/03/2011	7.72	0.19	0.55	3.53	1.15	ICO Coffee Indicator (US\$/lb)	02/03/2011	220.4	-1.0	10.2	97.0	22.9
Argentine (FOB Up River USD/t)	25/02/2011	274	-24	2	112	15	Colombian Milds (US\$/lb)	02/03/2011	297.8	-0.8	4.1	92.2	15.2
<b>Sugar</b>							<b>Cotton</b>						
World Raws (USD/t)	03/03/2011	726.8	53.3	-53.5	219.8	3.8	Brazilian Naturals (US\$/lb)	02/03/2011	256.4	-0.4	19.0	132.5	36.2
World Whites (USD/t)	03/03/2011	826.3	66.0	-55.3	207.5	16.5	Vietnam Robusta (USD/t)	03/03/2011	2,565	9	293	1,185	289
CNF Black Sea (USD/t)	03/03/2011	762.8	53.3	-54.5	209.8	-0.3							
MCXSUGM Comdty	03/03/2011	2,940	0	-19	-569	-205							
MCXSUGS Comdty	03/03/2011	2,710	11	-13	-465	-145							
<b>Cocoa</b>													
ICCO Cocoa Indicator (USD/t)	02/03/2011	3,675	45	238	651	568							
Indonesia (Del. NY USD/t)	25/02/2011	3,919	277	485	897	634							
Ivory Coast (Del. NY USD/t)	25/02/2011	4,204	250	620	724	719							
Ghana (Del. NY USD/t)	25/02/2011	4,289	252	565	665	704							

Source: Bloomberg

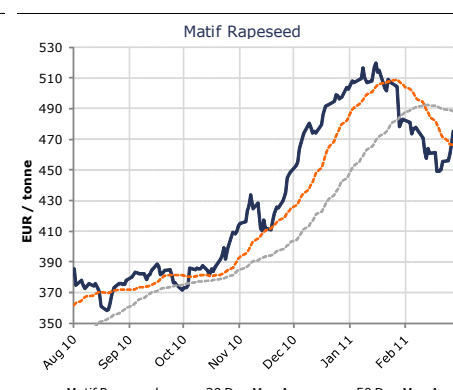
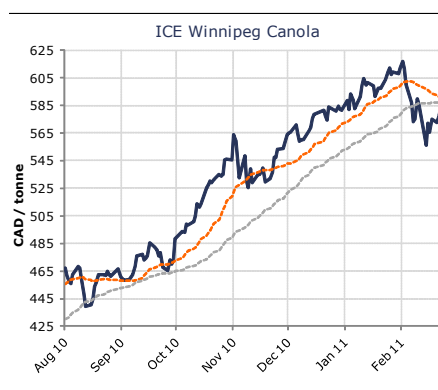
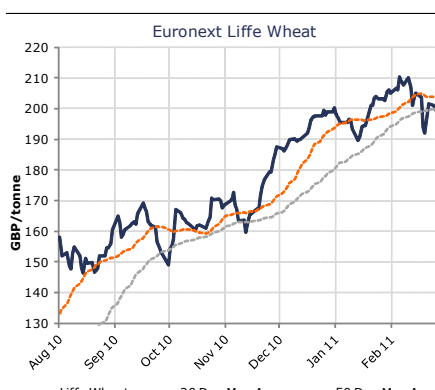
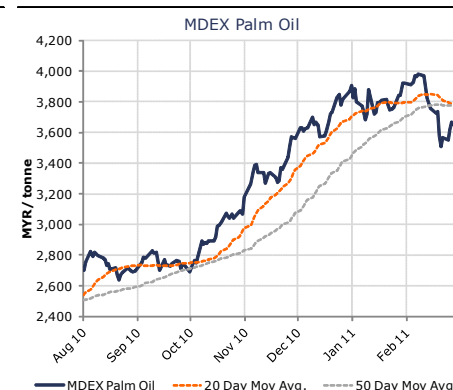
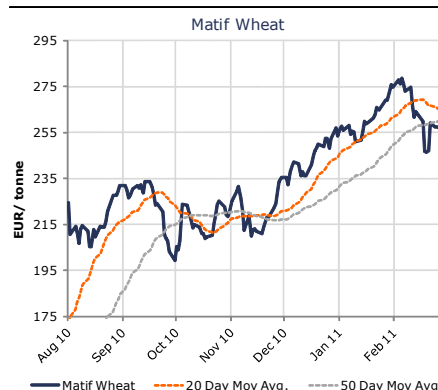
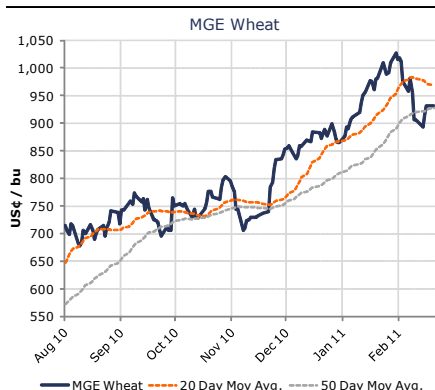
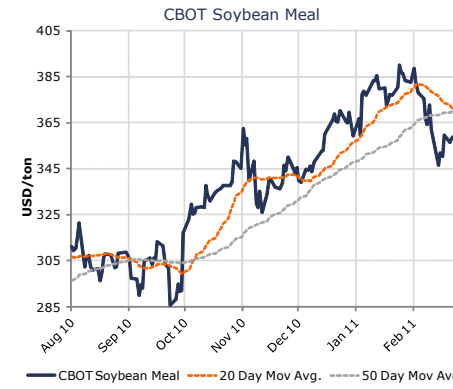
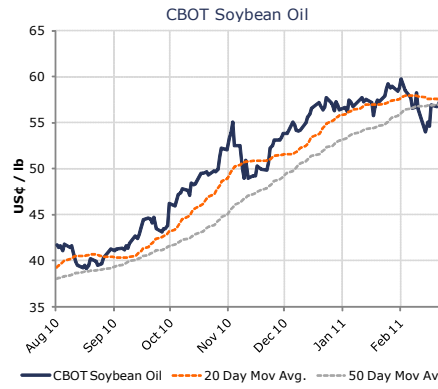
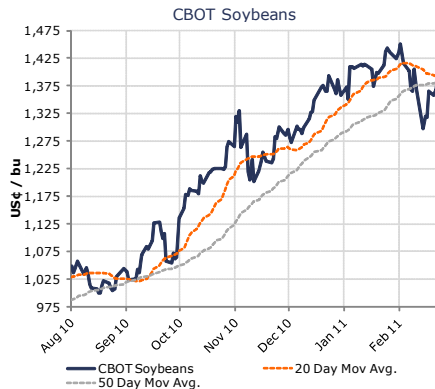
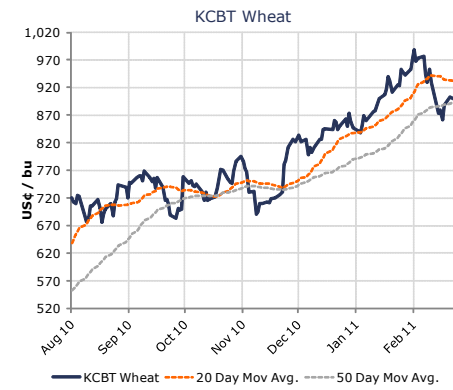
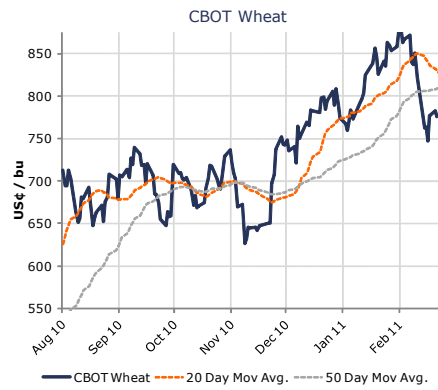
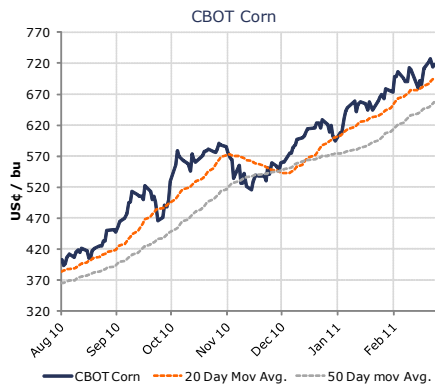
N.B. Cash market prices are indicative only and should not be considered as a reliable source of actual traded prices

Grains & Oilseed Futures Forward Curves



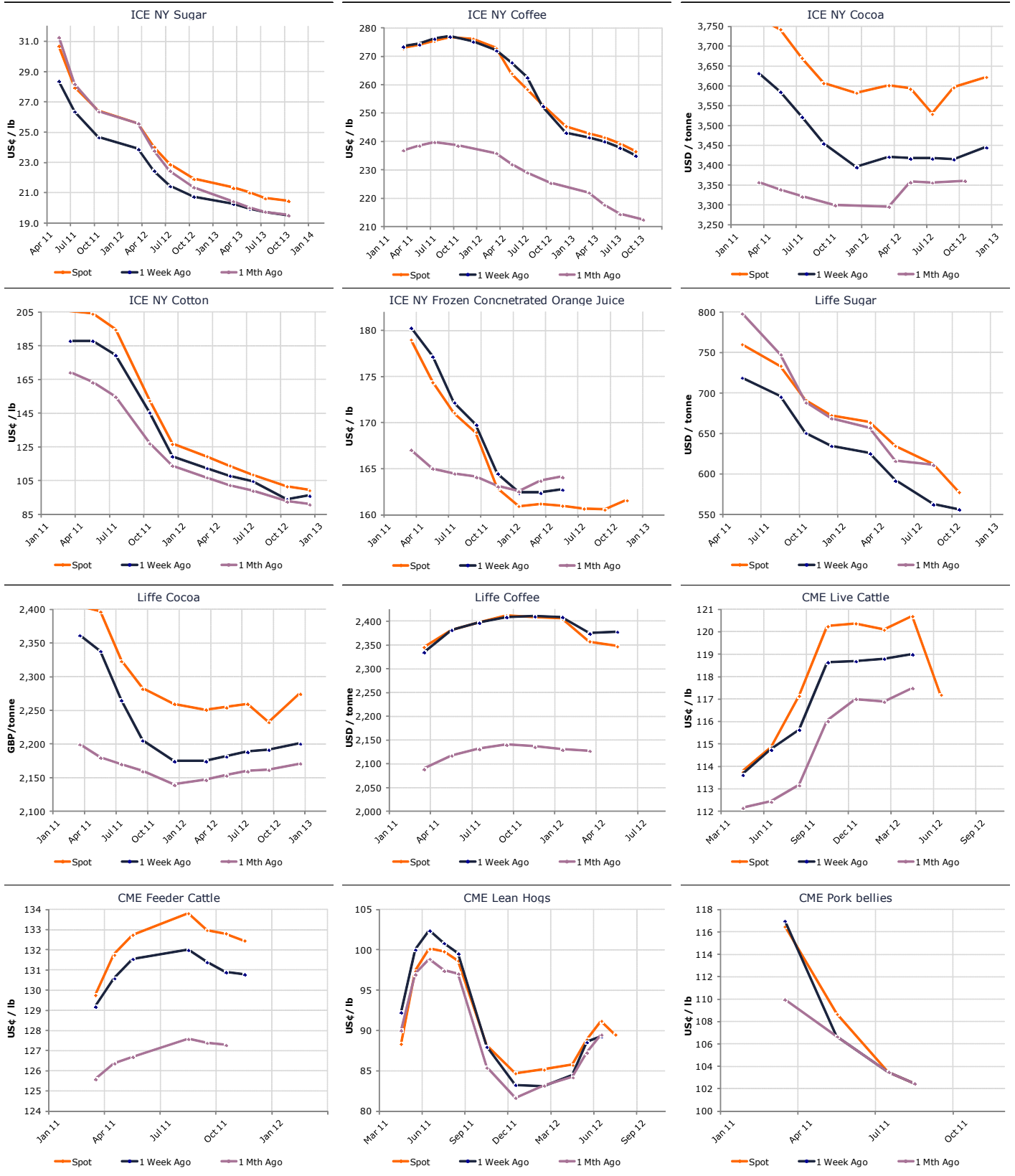
Source: Bloomberg

Grains & Oilseed Spot Continuous Prices



Source: Bloomberg

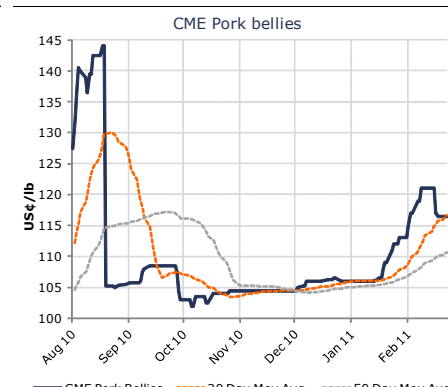
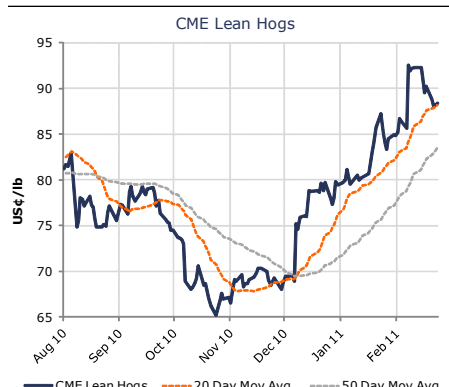
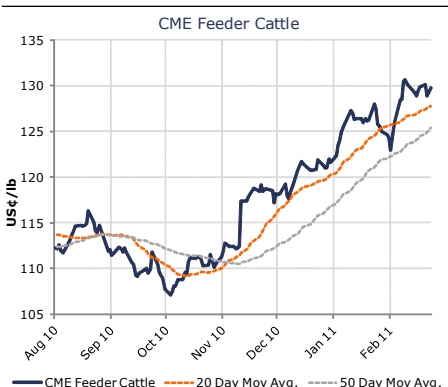
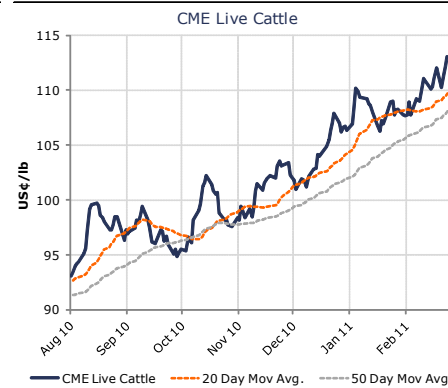
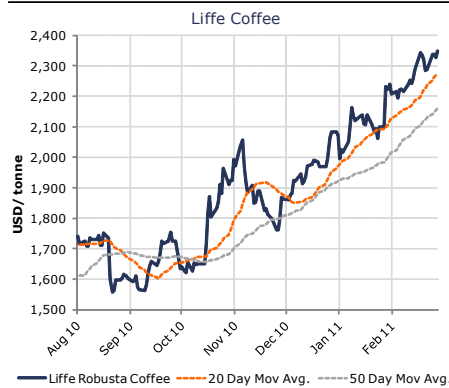
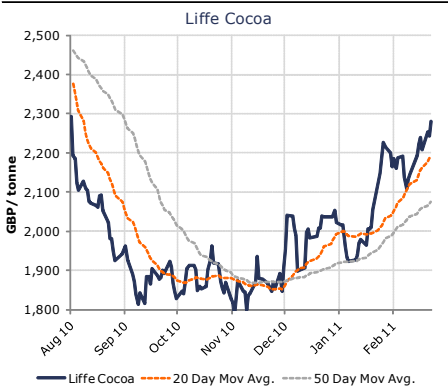
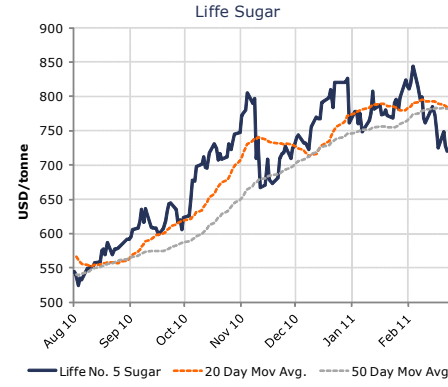
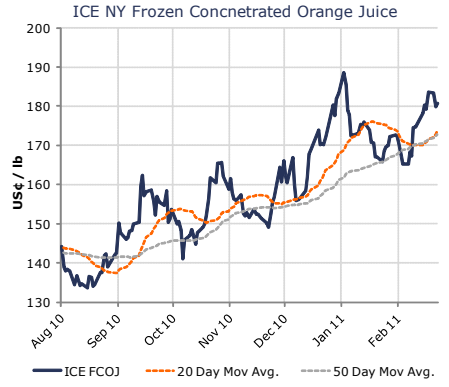
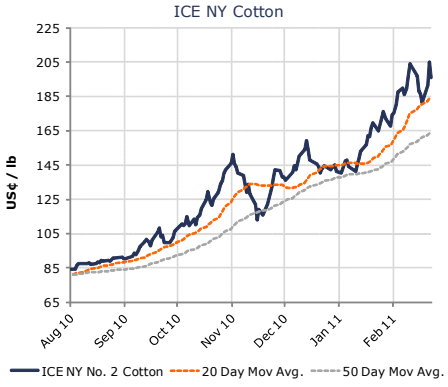
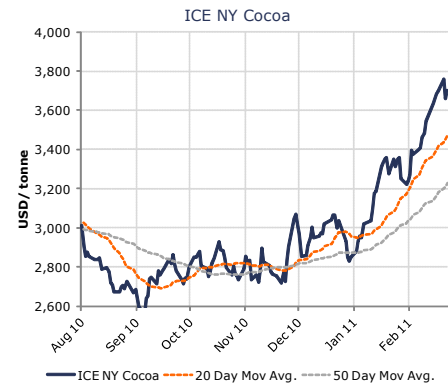
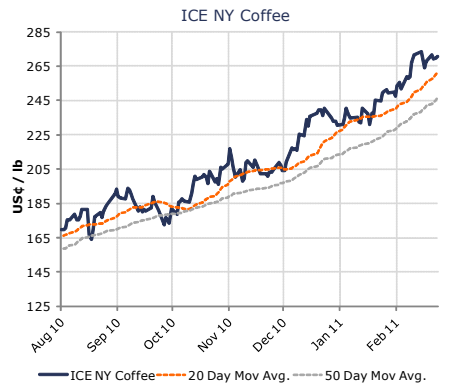
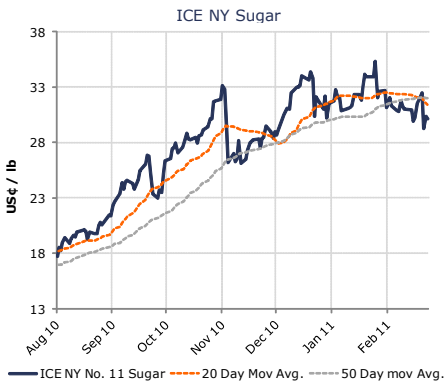
Softs & Livestock Futures Forward Curves



Source: Bloomberg



Softs & Livestock Spot Continuous Prices



Source: Bloomberg

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