

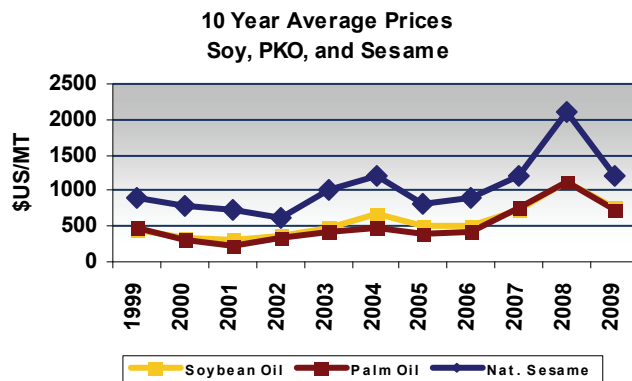


Sesame Seed

Price Elasticity In Asia Drives Market Down

In our last market report (July '08) we stated that sesame was overvalued by \$600/MT, and worst case we would see that much of a decline prior to new crop arrivals in December. We also forecast another \$500-\$600/MT drop by January 2009. We ourselves are amazed; that in these times of unpredictable commodity markets, that forecast remains right on target. Look, we are not that smart. After all, we sell sesame for a living.

The premise under which we have forecast sesame prices and subsequently traded over the last 18 months is simple. Sesame is an oil seed with it's consumption being predominantly for edible oil. Sesame is the cooking oil of choice throughout most of Asia. "Oil stock" sesame seed has yielded an average \$400/MT premium over soybean oil and PKO for the last 20 years. Whenever sesame has progressed above that premium, it is summarily spanked back down as consumption in China suffers in favor of less expensive oils. In recent memory, this occurred in 2004 and again last year. We have become so confident in this mechanism for sesame pricing that we actually hedged our long positions against soy futures last season, enabling us to maintain adequate physical stock against a market no one would buy into. Additionally, we are now going out to U.S. growers with contracts for 2010 at a price of \$1175/MT FOB Texas, based on this same formula. Today this would translate into 2010 U.S. white hulled sesame prices in the low \$0.90's. Any takers for 2010? On a side note to this, we will have our largest U.S. sesame crop ever this year of approximately 5,000 MT's. We will issue an entirely separate report on the U.S. sesame program which is exploding on the heels of sesame being part of the new Farm Bill. For now, we will cover some of the fundamentals in the 2009 sesame market:



- China's crop in excess of 550,000 MT's. We only expect Chinese imports of 120,000 MT's versus 250,000 MT's last year.
- Sudan and Ethiopian crops of 350,000 MT's combined whitish seed—that's big.
- India claims to have lost 20% crop in the last 2 weeks of harvest, or at least until African crops come to market in December.
- U.S. currency gains 25% versus Indian Rupee
- Mexico and Guatemala crops a combined 35,000 MT's. Average size crops will still demand premium.
- U.S. Sesame Crop 5,000 MT's!!

* In the spirit of "fact-checking" as has been the practice during this Presidential campaign, our past market reports can be found on our website @ www.bakerselements.com

<u>Origin/Quality</u>	<u>Spot Market</u>	<u>2009 F</u>	<u>Trend</u>	<u>Comment</u>
Indian Natural	\$1.05/lb.	\$0.82/lb.	↓	Allegedly lost 20% of crop at harvest.
Indian W/H	\$1.15/lb.	\$0.92/lb.	↓	Same as above.
Guatemalan W/H	Not Available	\$1.12/lb.	↓	No carryover. Losing share in U.S. as Japanese pay high premiums.
U.S./Venezuelan W/H	\$1.50/lb.	\$1.02/lb.	↓	U.S. crop will take over Venezuelan supply within 3 years
Black Sesame	\$1.10/lb.	\$0.90/lb.	↓	Specialty crop coming with growing premium. Demand is strong.