



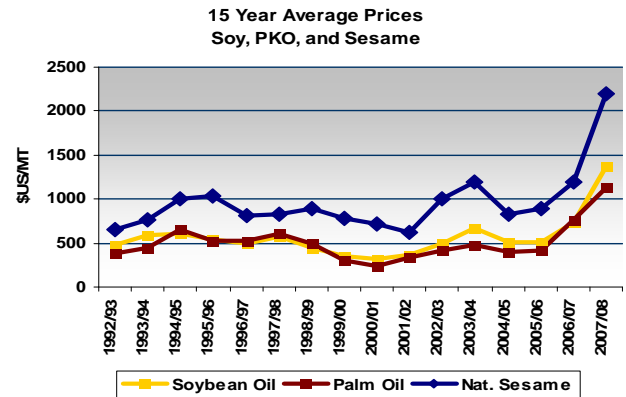
Sesame Seed

When Will Record High Prices Break?

Since our last market report (Jan '08), sesame prices continued their upward trend by another 25-30%. We had projected record highs for 2008 all the way back in July '07, but never imagined the outrageous levels we have experienced. Because of the latter, we have heard from many of you that we badly missed our projections. Subsequently, you may choose to ignore our view as to when the market will break and by how much.

Allow us to first highlight the major developments since January:

- Japan pays as much as \$2,500/MT for natural sesame after initial defaults by Guatemala.
- Indian Government bans the export of all edible oils, sesame oil included. They also threaten the ban on oilseeds if prices do not subside.
- Indian Government restricts the stock levels of traders and processors to a maximum of 200MT's in any single location.
- Crop in Paraguay comes in strong at 40,000 MT's.
- Venezuelan shipments delayed until last week as growers hold seed awaiting higher prices. Only 18,000 MT's brought in to date.



The two initiatives by the Indian Government are not unprecedented. They actually have banned the export of pulses because the internal prices had adversely affected their own consumers and economy. This was done despite Indian having a huge export market for pulses. Immediately following the sesame actions by India, the market dropped by \$200-\$300/MT as a result of the traders quickly moving their positions. Within days on both occasions, the market quickly moved back up to its previous highs. Shippers in India continue to portray that they will be completely out of sesame sometime this summer. Time will tell.

So, what about these sesame prices? We cannot imagine that prices will go higher. In fact, using our analysis of sesame prices versus soybean and palm kernel oil, we believe that sesame is presently overvalued by \$600/MT. I hope that statement does not anger anyone, but that is our belief. This "squeeze" premium is only possible to maintain through the fall if there is indeed a fundamental deficit of sesame. Worst case, we expect this much of a decrease by early December. Best case we expect an additional decrease of \$500-\$600/MT by new crop. So that's approximately an \$1,150/MT total decrease for 2009.

The additional \$500-\$600/MT decrease is based on our best calculation of what sesame acreage will cost against the competing crops of corn, soy, sorghum, cotton, and the like. As we have all seen this last year, this is a very complex formula to determine especially with cash crops like sesame, rye, etc. This is our view of the trend, but please don't hang us on the exact numbers.

<u>Origin/Quality</u>	<u>Spot Market</u>	<u>2009 F</u>	<u>Trend</u>	<u>Comment</u>
Indian Natural	\$1.30/lb.	\$0.83/lb.	↔	Allegedly will be out of seed by August.
Indian W/H	\$1.55/lb.	\$0.97/lb.	↔	Same as above.
Guatemalan W/H	\$2.10/lb.	\$1.25/lb.	↔	No carryover. Losing share in U.S. as Japanese pay high premiums.
Venezuelan W/H	\$1.95/lb.	\$1.07/lb.	↔	Good low-cost source to U.S., but what about Chavez?
Black Sesame	\$1.20/lb.	\$0.90/lb.	↑	Specialty crop coming with growing premium. Demand is strong.