Bakers Elements
A TJ Harkins Company

Seeds, Spices and Grains for the Baking Industry

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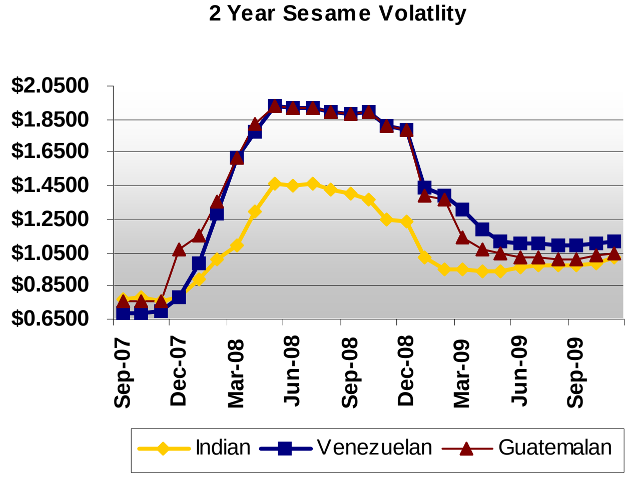
Sesame Seed

Slumdog Speculators Driving Market?

Supply & demand – forget about it. Like most commodities sesame prices remain extremely volatile sometimes without rhyme or reason. Or perhaps the rhyme is the huge "spec" in every market, and the reason is they believe there is nowhere else to get a return on their money. Sesame jumped $300/MT within the last 2 weeks as the stockiest took long positions, the U.S. dollar got hammered, and new crop arrivals suddenly slowed.

Nevertheless, permit the fundamentalist in me cover the major origins:



Let's first speak of the big dog **China** – good crop estimated at minimum of 500,000MT's, probably some 20% over last year. The problem for China is actually resulting from **Myanmar** having short crop. Myanmar typically provides cross-border supply to China of estimated 200,000 MT's.

India had first estimated an edible crop of 280,000MT's or some 25% above last year. However as arrivals in Rajkot slowed, one theory is that yields must have been adversely affected by the late monsoon and the actual production will be more in line with last year.

Or another theory is that the specs took huge physicals out of the market in anticipation of China's need to replace the Myanmar shortfall, and to fulfill a 9,000 MT tender from Korea. If China is short, they would have to buy before their New Year at the end of February. Only time will tell.

African production is estimated to be above average with **Sudan, Ethiopia, and Nigeria** calculated at over 400,000 MT's edible seed combined. But here too, mega trading houses Olam and Maviga have been quietly buying up huge parcels of new crop arrivals.

Closer to home, the crop in **Guatemala** is estimated at 22,000MT's which is well above the last few years, but still not quite the production we saw earlier in the decade. Nevertheless Guatemala will carry their outrageous premium into the 1st quarter until the Japanese buyers clear out of the market.

The supply from South America is in transition with **Venezuela** simply becoming too difficult to operate within. All U.S. importers had extreme difficulty getting contracted shipments out of Venezuela last year, with ourselves fulfilling 40% of those contracts from Guatemala. Venezuela may be dead as a source of U.S. supply within 2 years. The new force in SA is **Paraguay** whose 60,000 MT's in production is already dwarfing Venezuela.

On the demand side, U.S. and European imports dropped 20% during late 2008 and early 2009 as a result of the historically high prices. Asian demand, which again is primarily for oil, only dropped when the sesame prices were above the historical premium to soybean and palm oil. The Asian demand for all edible oils is growing as their economies regain momentum. So Asian sesame demand indeed will grow as long as sesame prices remain at certain relativity to soy. **And how many out there believed soybean oil would be in the $0.40/lb. range today?** Of course one must take a look at the amount of spec money in soybean oil at the moment.

Many of our Customers have been pushing us for calendar 2010 pricing , and as most of you know we have been unwilling to do so. The graph above cannot adequately depict the volatility in sesame the last 2 years (the gridlines are at $0.20/lb. increments). These days price moves are extreme and come very quickly. At this point we are only willing to give a 1st quarter projection:

Indian Natural	$0.93/lb. FOB
Indian White Hulled	$1.06/lb. FOB
CA White Hulled	$1.28/lb. FOB

Will the market go down later in the year? Only if soybean oil does. Your view of sesame should be similar to that of soy and take coverage accordingly. And remember, at some point the spec will take their profits and put their money elsewhere – perhaps into Banking.