



December 16, 2010

Here is the latest news brought to you by American Roland Food Corp.

Hot Off the Press!

IMPORTANT ALERT!

THESE PRODUCTS HAVE BEEN PLACED ON IMMEDIATE ALLOCATION

COCONUT MILK – In addition to flooding and drought, another reason for tight supply is that coconut farmers have cut down many coconut trees and replaced them with rubber trees and palm trees in order to sell rubber and palm oil, which fetch higher prices than coconut milk. Even if new coconut plantations were to arise, it would take 7 years before a new coconut tree will be mature to bear fruit. It is also reported that many coconut trees have been hit with disease, rendering the coconuts almost meatless inside.

MANDARIN ORANGES – A month ago we reported that the Chinese mandarin orange crop would be 25% more expensive. It is now much worse. We received damaging reports this week that the market price shot up further, now almost double that of the previous crop. Most packers are locked in negotiations with farmers. The few packers who have made offers, made them to desperate customers who bought at a premium. Until the majority of packers and farmers can resolve their differences, shipments will be delayed. Hence, we placed our available inventory on allocation.

The factors for expensive crop remain the same.

- **Lack of raw materials.** Chinese fresh market demand drove up pricing. Bad weather was also damaging.
- **Increase in sugar.** Light syrup is a key component of canned Mandarin Oranges. Unlike the United States, Chinese packers do not have many substitutes for sugar such as corn syrup and other sweeteners.
- **Tin price.** Increased usage of tin plate by developing nations has caused packaging materials to steadily rise.
- **Labor shortage.** Like many developing countries, China's growing GDP has augmented wealth and job opportunities. Many laborers have moved on to more lucrative jobs in computer chip factories, semiconductor factories, etc. To retain workers, canneries raised salaries threefold. In cases where canneries could not maintain competitive salaries, they have resorted to operating on a skeleton staff, often 60% below operating capacity.
- **Weak US Dollar.** A weak US Dollar makes this import more expensive.

ANCHOVIES – The anchovy catch in South America continues to be unusually short. Quality is an issue – due to the small size of the fish, 50% of the catch cannot be used for canning, and will only be used for fish meal. The shortage of fish from South America has left the market scrambling for raw material from Morocco, driving up prices.

BALSAMIC VINEGAR – Costs associated with the production of Balsamic Vinegar of Modena have increased over the last year, led recently by a large increase in the cost of grape must. Other increases include packaging (plastic, glass, cardboard, and label stock), fuel, and labor costs. Along with the falling US Dollar, we expect pricing of balsamic vinegar to increase in the short term.

BABY CORN – The Baby Corn crop in Thailand is late. Similar to other Thai products that have been damaged, flooding was the main culprit, wiping out vast tracts of land and delaying planting. The strong Thai Baht will also be a factor for higher prices. We expect shipments from new crop in February.

GINGER – Inventory on Ginger in Syrup and Crystallized Ginger is currently very tight and remain on allocation. We hope to have additional product available by mid-February 2011.

KALAMATA OLIVES (TURKEY) – The harvest of the Turkish Kalamata Olive is nearly complete, and indications are for a short crop and increased pricing. This year's harvest decreased by about 30%, and the price has also been under pressure as Turkish Kalamata's have been substituted for other natural black olives that have been short in supply. We expect pricing to increase but are receiving reports of good quality.

PINEAPPLE –

- **China:** Both pineapple-producing provinces in China suffered decreases in raw material yield. In Guangdong province, a typhoon damaged many pineapple trees along the coast. In Guangxi province, weather was also an issue, tightening available supply, and forcing packers to short orders. The situation may improve over time, but we are not optimistic.
- **Thailand:** Thai crop is in flux with packers and farmers still unsure of total output this year as flooding severely disrupted the supply chain.

QUINOA – Currently, there is a shortage of Red and Black Quinoa due to an increase in demand. Farmers have also been reluctant to farm and expand production of these colors since it is more costly to do so as red and black quinoa require delicate care. Since demand is climbing and supply is short, market prices may soar 45-65% in the near future.

Noteworthy News from the Archives

COCONUT MILK (from November 2010) – As touched upon in earlier updates, flooding in Thailand destroyed numerous coconut trees and damaged factories. As a result, there is an extreme shortage of raw material, which has put a premium on price and threatens to delay shipments.

OLIVE OIL (from November 2010) – Olive Oil production from the new crop appears to be progressing without major problems. Spanish packers report good quality and large yield. Italian farmers also report an increase in supply. There is carryover product, which is reportedly 100,000 metric ton.

Additionally, the **Pomace** price has climbed parallel to recent prices surges in competitive non-olive oils such as Soy, Palm and Coconut; Soybean oil price has rallied 20% since October. With new Pomace production not available until February, market price is expected to continue its upward trajectory.

MANDARIN ORANGES (from November 2010) – Mandarin Oranges from China will be more expensive this year due to shortage of raw material, and higher costs for sugar, tin, and labor. The crop from Hubei Province and Hunan Province suffered drastic reductions in yields. Temperatures fluctuated wildly between hot to warm to cold and back to hot, stunting many trees in the process. Also, an infestation of tree bugs rendered many oranges unsuitable. Sugar prices rose almost 70% from previous year. Likewise, labor costs continued to climb, jumping almost 50% since last year.

The crop from Zhejiang province is late. Packing will not begin until later-November. Some packers in Zhejiang have resorted to trucking raw material in from Fujian province (a bit player in the mandarin market), just to run machinery. Overall yield is expected to be better than Hubei and Hunan provinces, but crop is still smaller than previous year. Zhejiang packers also suffer from high sugar prices and labor shortage.

MUSHROOMS (from November 2010) – We are not encouraged by the early news from China regarding canned Mushrooms. The crop began in fall, and packers already predict they cannot fulfill orders due to growing domestic demand – fresh market grew by 30% – and global demand – particularly from emerging countries such as Russia. Given the shortage from last year, there is no carryover product and even if current crop is abundant, demand may still outpace supply. Similar to Mandarin Oranges, labor cost has increased along with tin cost. By mid-December, we will have a better idea of crop yield and pricing as the crop reaches maturity.

PEPPERS, ROASTED (from November 2010) – The summer shortage out of South America caused hardship and tight inventory, but supply has now stabilized. The harvest and packing are completed, and we no longer anticipate delayed shipments. The Turkish crop is shorter than last year and is delayed.

RICE (from November 2010) – The global rice market has been challenged by many factors, namely unpredictable weather, unfavorable exchange rates, and higher labor costs.

- **Arborio.** Very wet weather conditions in Italy this fall have resulted in lower yields and lower quality on Italian Arborio rice. Market pricing is volatile and is not expected to decline until after the New Year, if at all. We expect prices will increase due to higher rice costing, increased ocean freight costs and the weaker US Dollar.
- **Jasmine.** While the devastating floods which ravaged southern Thailand have not directly impacted Jasmine Rice's yield, the floods have indirectly played a part in increasing Jasmine Rice price by 10%. Since the flood destroyed many Thai fruits and vegetables, this decrease in food options have forced Thai consumers to buy the few options that remain, Jasmine Rice being one of them. This situation created a surge in market demand, causing the price to shift upwards. Labor costs have also been high as inflation drifts further north, and the weak US Dollar against Thai Baht made exports to the US more expensive.

Upcoming Events

We will be exhibiting at the **Winter Fancy Food Show** in San Francisco, CA from January 16 – 18, 2011. Please drop by and say hello. Joel Lunde and Kristin Vaill from the National Accounts team will be available to answer any questions that you may have and show you some interesting new items for your menu.

Booth #: 872

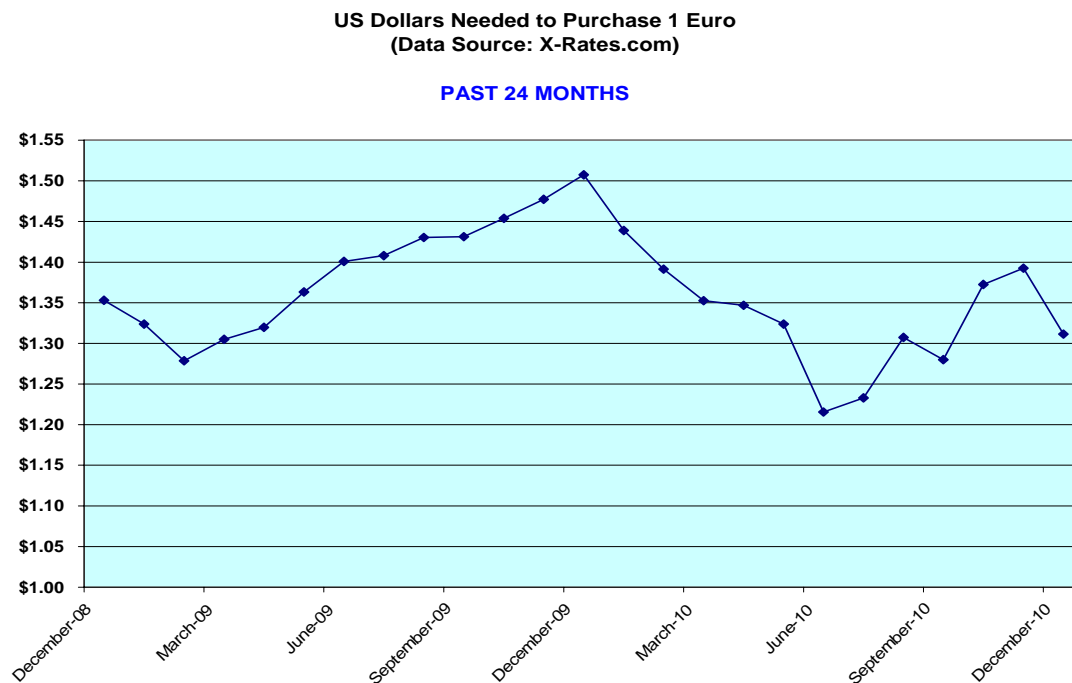
2011 Roland Catalogs

The new 2011 Roland catalogs are now available! These will be mailed out next week and should be in your hands before the end of the year. Should you need additional copies for other members of your team, please contact your National Accounts Manager.

For our complete product listing, please visit us at <http://www.rolandfood.com>.

Economic & Other News

US DOLLAR – On December 14, 2010 the U.S. dollar closed at \$1.3435 against the euro. The graph below shows the trend from December 1, 2008 – December 1, 2010.



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