

As many of you know, our esteemed colleague Bob Lekberg has been released from the hospital and is doing well. Until his return, Kate Rosenberg will be contributing the wheat and corn portions of our daily Ag Market Watch. Thanks to Kate—and best wishes to Bob for a speedy recovery!

Beans

Beans kept advancing with both N futures and the N/X inverse setting new highs for the move. At one point early in the session N traded 30 ¼ cents higher but hedge selling blunted the advance and kept the rally contained the rest of the day with N closing 12 ½ cents higher and X closing ½ cent lower. The N/X inverse posted a high of \$1.36 today before settling at 132 ½-133 ½, up 13 cents for the day, on heavy screen volume of about 18,000 contracts. There were reports of Chinese soybean purchases late last week. Our China sources were skeptical of much business occurring late last week because so many Chinese started their May Day holiday on Thursday. The strength today was aided and abetted by a weak \$, strong crude oil and strong equity markets. The S&P 500 rebounded back to the psychologically pleasing 900 level while the DJIA gained 214 pts on optimism that economic indicators were turning back up. Technically N should easily reach an interim target of 1150 and has a decent chance of reaching more formidable resistance at 1210-1220. In options, N volatility slipped by ½% to 43 ½% while X volatility fell by 1 ½% to 41%. Leading option players were Fortis (bought 2000 X 700 puts, sold 1300 N 900 puts, sold 500 of the X 1000-1100 call spreads, sold 400 N 880 puts, bought 400 June 1120 puts, bought 400 N 900 calls, bought 400 X 760 puts), Man (sold 1500 June 1000 puts, bought 500 Q 1100

calls/sold 500 X 1100 calls), Tenco (sold 500 N 880-940 put spreads, sold 600 June 1120 puts), and JPM (bought 750 of the N 1160-1200 call spreads). In spreads, firmness prevailed across the time spectrum with K/N up 1 cent, N/X up 13 cents and X'9/X'0 up 11 cents. Overnight deliveries were 121 lots. Weekly export inspections were 18.2 million bu, toward the high end of expectations, placing YTD inspections at 1.020 million bu, up 10.4% from last year. China took 12.3 million bu of the weekly total. CIF bean premiums were a touch weaker due to expanded farmer selling. In the US, farmer selling was active but overwhelming while S. American farmers responded as well with good sales being reported. Taiwan is shopping for 120,000 tonnes of US or Brazilian soybeans. The weekly USDA crop progress report estimated soybean plantings at 6% versus 3% last week, 5% last year and 11% average. Several states were still stuck on 0% progress, namely IL, IN, KS, ND and SD. The sharpest lags versus normal occurred in OH (-14%), IN (-13%), MI (-10%), MS (-9%) and IL (-8%). The weather this week in the Midwest remains wet but not as wet as feared last week. On Tue/Wed rains of 0.2-0.6 inch with 70% coverage are expected. Another round of 0.2-0.8 inch rains with 70% coverage is expected Thu/Fri. Early next week promises to bring more prolific amounts of ½ to 1 inch. This pattern could produce some isolated pockets of fieldwork this week but not many. Brazilian soybean markets were quiet, typical for a Monday. Paranagua beans were nominally +56N FOB for Jun and +52N FOB for July while Santos was quoted at +80N FOB for May/Jun. Chinese soybean futures played catch-up from being closed last Friday and vaulted higher by 151 Yuan. There were rumblings that the Chinese government would start to sell beans from their reserve and replace them in the

discounted new crop position to take advantage of the old/new inverse.

Oil

Oil rose by 49 pts basis N pushed along by the bean rally and the \$1.27 per barrel rally in crude oil. N oil is closing in on its 200-day moving average at 3968 by setting an intra-day high today of 3910 before closing at 3824. Today's high eclipsed the previous highs set back in Jan. In options, leading players were Fortis (sold 800 N 38 puts), JPM (bought 800 N 42 calls/sold 400 N 38 calls), RJO (sold 700 N 40 calls), Tenco (sold 500 N 37 puts), ADM (sold 350 N 33-34 put spreads, sold 250 N 33 puts), and Citi (bought 300 N 38 calls/sold 300 N 34 puts). Overnight deliveries were 2051 lots with ADM stopping 184. Brazilian soy oil was quoted at -40N FOB for May shipt and -70 FOB for Aug/Sep shipt. Brazil plans to increase the biodiesel blend to 4% from 3% starting in July. In 2008 Brazil consumed about 1 billion gallons of biodiesel so a 1% higher blend should consume another 75 million lbs of biodiesel. Chinese soy oil futures flirted with the 5% limit overnight by closing 346 Yuan higher. Palm oil futures in Malaysia jumped by 107 ringgit last night on heavy volume as the market played catch-up after being closed last Friday. Malaysian palm oil traders expect end April palm oil stocks to have fallen below monthly output for first time in many years. Stocks are expected as low as 1.24 to 1.31 million tonnes versus anticipated April production of 1.32-1.35 million tonnes. MPOB will issue the official April data on May 11. Palm olein is offered at \$830-840 per tonne, a price roughly equal to crude soy oil. Palm oil demand is suffering as a result as buyers balk at paying even money to soy oil.

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Meal

N meal closed \$2.80 higher while Z closed \$2.50 lower. Meal made new highs for this move but the chart suggests substantial resistance at \$375 and higher. K settled at \$357.60 and N settled at \$344.80. In crush trade, RJO reversed 400U crush, Bunge sold 400V and 300N crush, and Tenco reversed 250Q crush. There were no meal deliveries overnight. The H1N1 flu virus showed up in a hog herd in Alberta, Canada. This prompted China to cut off any pork imports from Alberta. The disease made its way to Alberta from a carpenter who had recently been in Mexico. The hogs in question quickly recovered from the flu but will be destroyed anyway. The WHO now estimates over 1000 human cases of this virus world wide. Tyson Foods announced their Q2 earnings of a 28 cents/share loss with special charges and 5 cents/share loss from continuing operations. Tyson said it was too early to gauge the impact of H1N1 on their operations. They added that their chicken segment turned profitable at the end of Feb. The Philippines is shopping for 45,000 tonnes soy meal.

Corn

Jul 405 1/2 down 8 1/4 cents
Dec 425 1/2 down 7 3/4 cents

July corn closed down 4 1/4 cents at 409 1/2 in overnight trade. Overnight trade was heavy in the July futures with 17,000 contracts traded. Funds came in this morning with a position of an estimated short 7,000. July corn opened this morning down 2 3/4 cents at 411 while December opened down 4 cents at 429 1/2. Market was overdone on Friday. At the time of the grain open, crude oil was up 50 cents and the dollar was down 37. The crude oil would remain higher through the trading session while the

dollar remained lower. Deliveries against the May future were 837. Dreyfus put out 501 corn. There were 45 corn receipts canceled Friday afternoon. The CME group is set to lower margins on corn effective Wednesday. The Western Corn Belt was dry over the weekend but was not enough to allow much planting. Periods of dry weather are expected for the next 10 days in the Corn Belt but progress will be spotty. Planting progress came out this afternoon at 3 pm CST. The report showed that 33% of corn was planted vs. 22% last week and 50% five year average. Market was expecting 32-38% of corn to be planted. 5% of the corn is emerged vs. 4% last week and 14% five year average. Weekly export inspections came out today at 10 am CST. We were looking for 30-35million bu and the number came out at 30.2million. CIF basis bids were lower this morning after an increase in farmer selling late last week after corn rallied above \$4. The corn market traded lower all day with July corn closing at 405 1/2 down 8 1/2 cents and December closing at 425 1/2 down 7 3/4. Funds sold estimated 4,000-5,000 contracts today.

Wheat

In overnight trade July Chicago wheat closed down 4 cents at 569. July KC wheat closed down 1 3/4 at 614. July Minneapolis wheat closed down 4 3/4 at 680. In overnight trade 7,000 July Chicago wheat traded. Funds came in this morning with a position of an estimated short of 26,000 contracts. July Chicago opened down 1 cent at 569. July KC opened down 2 3/4 cents at 612 and Minneapolis opened down 1 1/2 at 683 3/4. Market was thought to be overdone on Friday. Deliveries against the May Chicago future were 4737. KC July had 5 redeliveries and no deliveries in Minneapolis. Israel bought 30,000 tons of Black Sea origin. Iraq and Syria

are both looking for wheat. Weekly export inspections came out this morning at 10.3million bu versus expectations for 12-18million. The CME group is set to lower margins on wheat effective Wednesday. The Kansas HRW wheat crop tour begins tomorrow. Growing concerns about dryness in parts of Russia, The Ukraine and Argentine wheat belt are still being discussed. Drier and warmer weather expected this week in the northern plains spring wheat areas. Weekend rain was beneficial for the HRW crop in the central and southern plains. Algeria soft and durum wheat imports fell nearly 50% in 1st quarter. The country imported 1.383mt in January-March vs. 2.7mt the same time last year. There was talk that the Argentine President was holding a press conference some time today to discuss Argentine wheat. Talk is that Argentina will not be exporting wheat. Planting progress came out this afternoon. The report showed that 23% of spring wheat was planted vs. 15% last week and 59% five year average. 7% of the spring wheat has emerged vs. 2% last week and 20% five year average. Winter wheat conditions were 47% good/excellent vs. 45% last week and 47% a year ago. 27% of the winter wheat is headed vs. 21% a week ago and 35% five year average. Market was expecting steady to 2% increase on the winter wheat condition. The July Chicago closed down 19 at 551. July Minneapolis closed down 16 at 668 3/4. July KC closed down 17 3/4 at 597. Fund sold estimated 4000 Chicago wheat today.

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Light Country Movement

	Beans	Corn
Chicago	10 N	0 N
Toledo	2 N	-10 N
CIF	60 TO 68 N	37 TO 40 N
	Oil	Meal Lo/Hi
Decatur	-330 TO -220 K	5 TO 10 K
Des Moines		-8 K

CBOT Oil/Meal Registrations

	Today	Previous
Oil	13,647	13,647
Meal	0	0

USDA Grain Inspections for export KRF

	Week Ending	Week Ending	Week Ending	Current Mkt Year	Previous Market
Wheat	10,286	13,426	22,015	920,072	1,148,946
Corn	30,170	34,291	35,329	1,109,177	1,685,697
Soybeans	18,181	8,204	14,986	1,020,431	924,578

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