

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 finally took a rest after setting a torrid upside pace over the last several days. N closed 2 ½ cents lower and X closed 10 cents lower as the rally over the last 4 days finally got too far ahead of any fresh news or outside influences. The \$ finished the day with decent gains and crude oil closed 63 cents per barrel lower robbing the market of any help from the outside markets. Fundamental news was lacking as well. Though the flat price cooled off, the old/new inverse kept surging higher with the N/X gaining another 8 ½ cents today to settle at \$1.41-1.42. The inverse was helped along by news that two ships had collided at the Brazilian port of Santos damaging one ship loader in the process. This spawned rumors that loading at Santos would be slowed for up to 4 weeks as repairs were made. We heard the full gamut of opinions on what this meant to loading ranging from no impact whatsoever to a 4-week delay. So we are not sure how long loading capacity will be impaired. But the pictures we saw of the damage suggested it will not be a simple or quick repair. We just are not sure how easy this port can work around one damaged loader. In options, volatility slipped by 2 ½% in N to 41% and by 1% in X to 40%. Leading option players were Fortis (sold 500 June 1100 puts), ADM (bought 500 N 800 puts) and Tenco (bought 500 X 1160 calls/sold 500 X 700 puts/sold 250 X futures). In spreads, besides the strength of the N/X,

the K/N also was quite strong gaining 3 ½ cents today to settle at 15-15 ¼ cents inverse. The K futures expire on May 14. CIF bean premiums remained firm and above delivery value with May & June both bid at +65N and Jul bid at +60N. Taiwan overnight bought 120,000 tonnes of Brazilian beans for Jul/Aug shipt. S. Korea will tender Friday for 20,000 tonnes US beans for Aug arrival. We heard but did not confirm that Informa will issue updated 2009 US planted area estimates for beans and corn this Friday. Midwest weather will feature two modest rain events this week and a much more potent rain event next week. Over the next two days rains of 0.2-0.6 inch are expected to then be followed by similar rain totals late in the week. By Tue/Thu of next week rains of ½ to 1 inch are expected. This forecast could allow for some pockets of fieldwork in areas that dodge significant rains but progress will be spotty. Brazilian bean markets were rather quite. Latest paper parcel trades in Paranagua occurred at +56N FOB for May and +53N FOB for Jun. Brazilian soybean exports for April were a robust 4.49 million tonnes versus 2.64 million tonnes in March and 3.35 million tonnes last year. Celeres raised their estimate of the Brazilian soybean crop by 0.6% from their April estimate to 58.16 million tonnes. Brazil's Minister of Agriculture admitted that there would be a shortfall in government credit for farmers to plant the 2009-10 crops. Farmers are projected to need 150 billion Real in credit but only 100 billion Real will be allocated by the government. The weekly crop report from the Argentine Agricultural Secretariat continued to mention awful yields are harvest sprints toward conclusion. However, they still have yet to update their crop estimate. They said harvest was 76% complete, up 8% from last year. The US ag attaché is projecting 2009-10 Uruguay soybean production of 1.3 million tonnes versus 1 million

tonnes last year on a slight increase in planted area. Chinese soybean futures closed 46 Yuan lower overnight. The Chinese Ag Minister estimated spring oilseed plantings were 47% complete, down 2.2% from last year. One well placed cash source in China has estimated that April liftings of soybean shipments to China from all origins totaled an astounding 5.2-5.5 million tonnes. Freight sources further estimated that May liftings could approach April levels. This level of importation is way above monthly crush requirements and strongly suggests China has overbought and will soon face a period of indigestion and reduced demand. With the N/X inverse up 57 cents since late April, we would suggest bull spreaders take some profits until we can better assess what Chinese demand will be going forward.

Oil

Oil backed off by 25 pts basis N as the market paused on a lack of supportive news. If anything the news was negative as the proposed EPA scoring for biofuels placed soy oil biodiesel at a 22% reduction in greenhouse gas emissions (the so-called ghg profile) compared to petrol-based diesel versus the required 50% reduction to qualify under the Renewable Fuel Standard (RFS). EPA included indirect land use in their calculation, a method the National Biodiesel Board (NBB) claims is unfair and singles out soy oil. In a 1998 study by the government, soy oil biodiesel reduced greenhouse gases by 78% compared to petrol-based diesel. EPA did endorse grease-based biodiesel which has an 80% reduction ghg profile according to their calculations. According to the NBB, a maximum of 410 million gallons of biodiesel can be produced from greases and/or animal fats versus the biodiesel mandate of 500 million gallons. Without some changes

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or flexibility to these proposed standards, it will not be possible to meet the RFS mandate. The reaction from the US based biodiesel trade was ho-hum maybe because margins in soy oil biodiesel are so lousy. In options today, Rosenthal bought 1000 U 40 calls, Newedge sold 700 N 37 puts, JPM sold 500 N 43 calls, Fortis bought 500 U 40 calls, and Tenco sold 500 N 40 calls. Crude soy oil is quoted at -175/-200 FOB in the eastern market and -250 FOB in the western market. There is a pending CCC tender that may help better define domestic premium levels. Argentine soy oil traded for Jun/Jul at -60N and -50N FOB and for Aug/Dec at -80 FOB. Brazilian soy oil traded for May 10-June 10 at -50N FOB, for Jun/Jul at -50N FOB, for Aug at -70Q and -60Q FOB, and for Oct/Dec at -70 FOB. Brazilian soy oil exports for April were 162,500 tonnes versus 120,500 tonnes in March and 102,800 tonnes last year. Chinese soy oil futures rallied by 54 Yuan overnight. Palm oil futures in Malaysia fell by 77 ringgit on a wave of profit taking. Indonesia sold 5500 tonnes of crude palm oil out of 6500 tonnes offered at the government auction. ADM issued Q2 earnings today and said they could face more than \$500 million in charges related to their Asian palm oil venture with Wilmar. ADM took a \$97 million deferred income tax charge during the Q2 related to their palm oil venture.

Meal

Old crop months K and N posted small gains of 90 cents and 20 cents respectively but the more deferred contracts closed lower with Z down \$3. Fortis was a seller of 1400N in open outcry today. Domestic meal premiums have switched to the N and are nominally +16N FOB in IL, +10N FOB in KC and +4N FOB Des Moines. The US reported its first confirmed death from the H1N1 virus as a south Texas

woman living near the Mexican border passed away. She had chronic underlying health conditions according to TX authorities. Brazilian pellets traded for Jun at +9N FOB. Brazilian soy meal exports for April were 1.2 million tonnes versus 840,000 tonnes in March and 819,000 tonnes last year. The Philippines will tender this week for 45,000 tonnes of optional origin soy meal for June shipt.

Corn

In overnight trade July corn closed up 1 ½ cents at 407. December corn closed up 1 cent at 426 ½ in overnight trade. July corn opened this morning at 407 ½ up 1 ½ December corn opened at 426 ½ up a penny. At the time of the grain open the crude market was down .50 cents and the dollar was just down slightly. Corn drifted lower shortly after the grain opening and stayed that way pretty much all day. July corn closed at 405 ¼ down a ¼ of a cent. December corn closed at 425 down a ½ of a cent. Crop planting is still behind with 33% of the crop planted. The average for this time of year is 50% planted. The drier and warmer forecast for the next few days in the Corn Belt will be good for more planting but progress will be spotty. Funds came into the market today with an estimated short position of 15,000 contracts. Deliveries against the May contract were 69 contracts. 143 corn receipts were canceled Monday afternoon. Effective tomorrow the CME group will be lowering margins on grains. The new corn margin will be initial 1620 down from 2,025. Maintenance margin will be 1200 down from 1500. For the mini corn contract initial margin will be 324 down from 405 and maintenance margin will be 240 down from 300. The EPA decided to grandfather existing corn ethanol plants that use processing methods that do not meet RFS goals for greenhouse gas

emission reductions. Israel bought 30,000 tons of Black Sea corn. South Korea seeks 55,000 tons of optional origin corn. Iran seeks 100,000 South American corn. The Philippines may see a surge in feed wheat imports of 1.8 million tonnes, the highest level in 8 years. Chinese spring grain plantings were at 44%, down 0.6% from last year, with corn lagging normal. Funds sold an estimated 1500 contracts today.

Wheat

In overnight trade July Chicago wheat closed up 7 ¾ at 558 ¾. July KC wheat closed up 6 ½ cents at 603 ½ overnight and July Minneapolis wheat closed up 5 ¼ cents at 672. July Chicago opened this morning at 557 up 6 cents. July Minneapolis opened up at 672 up 5 ¼ cents. July KC wheat opened up this morning at 596 ¾ down a ¼ cent. The wheat market traded higher all day even though the other grain markets were lower. Deliveries in Chicago against the May contract were 3570. There were no Minneapolis deliveries. Deliveries in KC were 481 put out by ADM, JPMorgan took them. Tomorrow the CME group will be lowering margins on grains. The new Chicago wheat margin will be initial 2700 down from 3375 maintenance will be 2000 down from 2500. For the mini wheat contract initial margin will be 540 down from 675 and maintenance margin will be 400 down from 500. Funds came into the market today with an estimated short position of 32,000 contracts. July Chicago closed today at 553 ½ up 2 ½ cents. July KC closed at 598 ¾ up 1 ¾ cents. Minneapolis July closed at 673 ½ up 6 ¾ cents. India bought 20.65mmts of wheat from April 1st through May 4th up 24% on the year. Philippine feed wheat imports in 2009 may rise to 1.8mmts highest in 8 years. Last year the Philippine imports were 390,000. Syria canceled the tender to buy 200,000 tons of soft wheat Crop planting for spring

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wheat is still well behind the average with only 23% of the crop planted. Kansas HRW wheat tour started today and runs until Thursday. First report showed the crop is in good shape with average yields. Forecast calls for scattered rain next 5-7 days in parts of Russia and Ukraine's wheat belt which is needed. Dryness remains in

Australia's wheat belt with forecast calling for more dryness the next 5-7 days. Winter wheat areas are seeing good weather with decent moisture and mild temps. Spring wheat area should be dry enough to get some planting done this week. Funds bought an estimated 2000 contracts today.

Light Country Movement

	Beans	Corn
Chicago	10 N	0 N
Toledo	2 N	-10 N
CIF	65 TO 70 N	38 TO 40 N
	Oil	Meal Lo/Hi
Decatur	-330 TO -225 K	5 TO 10 K
Des Moines		+4 N

CBOT Oil/Meal Registrations

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

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