

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

Prices continued their upward trek today after pausing on Tuesday with N closing 17 cents higher and X closing 17 ½ cents higher. N fell 8 cents shy of Monday's high but N did set a new high close today. The N/X inverse ended the day about 2 cents weaker at 139-140 ½ after suffering an early bout of profit taking that took the N/X down to 134 at one point. The outside markets provided support with the \$ weakening and crude oil rallying by \$2.50 per barrel. The DJIA closed 101 pts higher even though leaked details of the bank stress tests indicated the 19 largest banks needed to raise capital by \$75 billion. Fundamentally, the trade continued to lower their expectations of both the Argentine bean crop (estimates as low as 30 million tonnes) and old crop US bean carryout (estimates below 100 million bu). Next Tuesday, May 12, USDA will issue revised supply/demand estimates for the 2008-09 old crop season and will unveil their first estimate for the 2009-10 new crop season. The last USDA estimate for old crop carryout was 165 million bu. We believe ultimately the carryout is 125 million bu or less but it is unlikely USDA will come that low in next Tuesday's report. In our view it is not possible to have a carryout less than 100 million bu because of minimum pipeline needs so we dismiss the projections as low as a 75 million bu carryout. But one could make the argument that old crop beans have to go

much higher to make sure demand is rationed enough to maintain pipeline carryout. Regarding the new crop supply/demand projection next week, the sharp X'9/X'0 inverse of 57-58 cents implies the market anticipates a tight carryout estimate. In options today, volatility was roughly unchanged with N at 40 ¾% and X at 40%. The standout player was FCS buying 1000 X 1800 calls. In spreads, ADM was featured bull spreading 500 N/X and 200 K/N. The new crop spreads were firm with X/K'0 and X/N'0 moving to modest inverses. CIF bean premiums were steady today with May and June both bid at +65N and July bid at +60N. Weekly export sales on Thursday are estimated at 500-900,000 tonnes. The Midwest weather outlook got a bit drier next week for areas to the east of the MS River. Projected rainfall totals have been dialed down to 0.2-0.6 inches from ½ -1 inch amounts forecast earlier this week. Areas to the west of the MS River are expected to see ¼ to 1 inch amounts next week. This forecast if verified would be just what farmers need to catch up with fieldwork in the east. There were some overnight rains of less than ½ inch across MN, IA and northwest WI. Further light rains of 0.2-0.6 inches are expected tonight through Friday followed by a dry weekend. Brazilian bean premiums had a softer tone with paper parcels at Paranagua trading at +47N FOB for Jun/Jul, down 1 cent from yesterday. There were two cargo trades reported from the northern port of Santos with July trading at +78N FOB and Aug trading at +110Q FOB. The soybean boat lineup remains impressive in Brazil at 3.9 million tonnes with at least 1.6 million tonnes of the total destined for China. Conab will release an updated Brazilian soybean crop estimate on Thursday and will compare to their April estimate of 58.1 million tonnes. The Buenos Aires Cereals Exchange, in their weekly crop progress

report, continued to cite poor yields running 29% below last year. They estimated soybean harvest at 82.8% complete. Private crop agronomist Michael Cordonnier reportedly lowered his Argentine bean crop estimate to 33.5 million tonnes. Chinese soybean futures closed 11 Yuan higher overnight. Chinese crushers are complaining of poor soy meal demand because pork prices have fallen by 23% so far in 2009. As mentioned in Tuesday's letter, Chinese soybean liftings for April and May shipt appear to be massive enough to place China in some jeopardy of over-supply this summer. We expect their old crop bean demand to taper off in the weeks ahead.

Oil

N posted strong gains of 99 pts today after ascending to intra-day gains of 134 pts. N came within 10 pts of its 200-day moving average today. Overnight firmness in Asian palm oil markets, talk of slumping meal demand in China and strong crude oil prices provided a favorable environment for an oil rally. The N oil share rose by 0.6% to 36.1% and the Z oil share rose by 0.5% to 41.5%. In options, ADM bought 1000 N 30 puts, Fortis sold 500 N 37 puts and JPM bought 500 U 50 calls. Yesterday the EPA said that soy oil-based biodiesel provided only a 22% reduction in greenhouse gas emissions versus petrol-based diesel, below the 50% reduction target in the RFS. According to World Energy, this means a biodiesel production facility would need to use a minimum of 48% waste grease and a maximum of 52% soy oil. If the EPA does not relax their standards in the upcoming comment period, it is hard to see how the US can meet the RFS mandate of 500 million gallons (3.75 billion lbs) of biodiesel production. With soy oil biodiesel economics so dismal, the only reason to produce soy oil ME is to

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meet state mandates already in force. MN just raised their biodiesel blend mandate to 5% effective May 1 and it escalates to 10% by 2012 and to 20% by 2015. It will be interesting to see where USDA estimates 2009-10 biodiesel usage next Tuesday. Their last estimate had 2008-09 biodiesel usage at 2.2 billion lbs and that looks high by 200-450 million lbs. We would have to estimate 2009-10 biodiesel usage at no better than 1.5-1.8 billion lbs without some relaxation of the EPA standards. The CCC tendered for 15 million lbs of refined/package soy oil yesterday and the outcome of the tender reflected domestic premiums of -200 in the east and -300 in the west. The seller to the CCC promptly raised their basis quotes to -75 FOB in the west. Weekly export sales on Thursday are expected at 10-25,000 tonnes. Argentine soy oil traded for Jun/Jul at -80N FOB, down 20 pts from the prior trade. Chinese soy oil futures closed 108 Yuan higher overnight. Malaysian palm oil futures rose by 55 ringgit on reports that Indonesia was set to re-impose an export duty on crude palm oil starting in June. Indonesia withdrew their offers of 5500 tonnes crude palm oil at the government auction after bids were deemed too low.

Meal

Meal struggled after a higher opening to close unchanged versus N. Bunge was a noted seller of 1000N. In options, JPM sold 450 of the Q 320-370 call spreads. In crush, Tenco sold 1200Z and 200N crush but also reversed 500N crush and Fortis reversed 600Q and 200Z crush but also sold 300N crush. The active selling of Z crush by Tenco may reflect locking up attractive new crop crush margins. Based on some recent export sales for new crop at +33 to +35 FOB Gulf, new crop crush margins are above \$1 per bu. We are hearing low level rumblings that there has been very brisk new crop export meal business since last week as

European end users fret that the Argentine bean crop may be so small they will have to supplement with US meal. Watch the new crop sales category tomorrow in the weekly export sales report to glean any hint of major activity. Weekly export sales are expected at 125-225,000 tonnes. The weekly Pilgrim meal tender went roughly unchanged versus last year at about +9N/+10N FOB KC. Hog futures today saw a nice rally of \$2.30 per cwt. Brazilian pellets traded for July at +6N FOB, for Aug at +10Q FOB and for Aug/Sep at +20 FOB. Indian soy meal exports for April plunged by 81.4% to 100,106 tonnes while rape meal exports in April surged by 57% to 102,187 tonnes. Total oil meal exports fell by 64% to 231,817 tonnes. China will undertake measures to stabilize pork prices after they dropped by 23% so far this year.

Corn

In overnight trade July corn closed at 406 up 3/4 of a cent. July corn opened up a 1/4 cent this morning at 405 1/2. Funds came into the market today with an estimated short position of 17,000 contracts. Deliveries against the May contract were 37 lots. 1,320 corn receipts were canceled late Tuesday. The forecast shows rain for corn growing areas in China which is needed. CONAB will be out tomorrow morning with their corn production estimates. When the market opened this morning the crude oil and US dollar markets were both higher. The stock market was slightly lower. The DOE came out this morning with their inventory numbers. We were expecting a build in crude oil of 2.5 million the actual number was a build of 600,000. The number being friendly made the crude oil market rally. Later in the day the \$ weakened. Corn traded both sides of the market today. July corn closed 2 1/4 cents higher at 407 1/2.

The Buenos Aires Grains Exchange came out today with their corn output estimate 12.7mt versus last weeks estimate of 13mt. Heavy storms from southeast Midwest through the delta region will keep fieldwork and planting slow this week. Next week the weather appears drier for the eastern areas that are behind in planting. Weekly export sales on Thursday are expected at 700,000-1.3 million. Informa will put out their corn acreage number estimates on Friday at 10:30 am CST. The USDA supply and demand report is coming out Tuesday May 12th at 7:30 am CST.

Wheat

In overnight trade July Chicago wheat closed up 1 3/4 cents at 555 1/4, July KC wheat closed down 1 1/4 cent at 597 1/2, and Minneapolis July closed down a 1/4 cent at 676. July Chicago wheat opened this morning at 557 up 3 1/2. July KC wheat opened 1 3/4 cents lower at 597. July Minneapolis wheat opened at 676 1/4 unchanged from last night. Funds came into the market today with an estimated short position of 30,000 contracts. Deliveries against the May contract were 3262. There were also 5 mini wheat contracts delivered. There were no KC or Minneapolis wheat deliveries this morning. 110 Toledo wheat receipts were canceled late Tuesday. There is still dryness in Argentina and Australia's wheat belt for the next several days. Wheat plantings in Western Australia are waiting for rain before starting. Australia's farmers may reduce canola plantings and boost wheat and barley plantings due to dryness. There is beneficial rain in forecast for wheat growing areas in China Friday through Sunday. Much needed rain is in forecast for the Ukraine and Russia for the next five days. The US northern plains spring wheat areas will see scattered rain though the end of the week. Jordan is seeking 100,000 tons of

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wheat. Iraq is still working their wheat tender. A leader of one of Argentina's biggest farming groups said that the Argentina 09/10 wheat harvest may be the smallest in 100 years. The Buenos Aires Grains Exchange puts the 09/10 Argentine wheat area at 3.7 million hectares unchanged from last week & down from 4.55 million hectares last season. Informa came out this morning at 10:30 CST with their winter wheat

production numbers. All winter wheat crop was estimated at 1.535 billion bushels versus 1.578 last month, HRW wheat output 882 versus 926 last month and SRW wheat output 436 versus 435 last month. Weekly export sales on Thursday are expected at 200-450,000. July wheat closed today at 558 3/4 up 5 1/4 cents. July KC wheat closed at 607 up 8 1/4 cents and Minneapolis July closed at 675 1/2 down 3/4.

Light Country Movement

	Beans	Corn
Chicago	10 N	0 N
Toledo	4 N	-10 N
CIF	65 TO 70 N	37 TO 43 N
	Oil	Meal Lo/Hi
Decatur	-330 TO -225 K	5 TO 7 K
Des Moines		+4 N

CBOT Oil/Meal Registrations

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

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