

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

A news service report that China may have delayed the loading of up to 500,000 tonnes of soybeans and may have cancelled up to 300,000 tonnes of soybean purchases sparked a wave of profit taking in the flat price and in the old/new inverse. N futures closed 16 cents lower, X futures closed 6 cents lower and the N/X inverse lost 10 cents on the day. We still have been unable to verify these stories of delays or cancellations that have surfaced in the past few days but the fact a major news service suggested it happened was enough to trigger a reaction. Good bull markets do not give bottom pickers sharp breaks to buy. They tend to only break enough to tempt you but not enough to lure you in as a buyer. So if this bean market is still a good bull market the break in SN should hold between 1065 and 1085. Similarly, the N/X inverse, if it is still in full bullish mode, should not retrace below the 115-120 area. If the downside corrections exceed these price areas, we would doubt the validity of the bull argument. In options, volatility was a touch weaker in N at 40 ½% but about 1% firmer in X at 41%. Leading option players were Man (bought 1000 each of the X 1000-1200 call spreads and X 1100-1200 calls spreads and sold 1000 X 800 puts against both), Bunge (bought 1000 of the X 1100-1300 call spreads), Tenco (sold 1200 N 1120 puts, sold 800 X 820 puts), RJO (bought 800 N 1050 puts/sold 800 N

1220 calls) and ADM (bought 700 June 1100 puts). In spreads, old crop inverses gave back recent gains but the new crop spreads continued to strengthen. The X/H gained 4 ¾ cents to swing to a 1 cent inverse, the X/K'0 gained 4 ¾ cents to settle at a 9 ½ cents inverse and the X/N'0 gained 5 ½ cents to close at an 8 ½-10 cents inverse. Weekly export sales were solid but not spectacular enough to prevent profit-taking linked to the Chinese cancellation rumors. Export sales were 654,400 tonnes old crop and 121,000 tonnes new crop. Leading buyers were China (197,900 tonnes old crop), Egypt (123,600 tonnes old crop), unknown (107,200 tonnes old crop and 124,000 tonnes new crop) and Mexico (105,100 tonnes old crop). YTD export sales commitments stood at 32.444 million tonnes, up 12.3% from last year. If old crop export sales for the last 4 months (May/Aug) of the marketing year equal last year's pace, then exports would project to be 56 million bu higher than the current USDA export projection. That would drop carryout to a razor thin level of 109 million bu, or a miniscule 3.55% stocks/usage ratio. The last time we had a tight carryout in 2003-04 of 112 million bu the carryout represented a 4.4% stocks/usage ratio. So this year is shaping up as being tighter than 2003-04. The USDA will issue updated supply/demand estimates next Tue and the average guess for 2008-09 carryout is 130 million bu with a range of 86 to 148 million bu. For a practical matter, carryout cannot fall below 90-100 million bu due to minimum pipeline requirements. If the market fears a carryout below that level then prices will rally enough to ration demand. New crop export sales commitments now stand at 2.521 million tonnes versus 1.518 million tonnes last year so new crop sales are also off to a brisk start. The average guess for new crop carryout is 239 million bu. Taiwan bought 60,000 tonnes of Brazilian beans

overnight for Aug shipt. S. Korea will tender Fri for 20,000 tonnes US beans for Aug 15 arrival. There was a cargo of US beans sold either overnight or this morning to China for Jun/Jul shipt from the PNW at a price of +148N C&F. CIF bean premiums have been on fire this week trading as high as +75 for Aug, +73 for Sep, +60 for Oct and +63 for Nov. The Aug premium is clearly over delivery value so old crop spread firmness should continue. US FOB Gulf premiums for Oct & Nov shipt are nominally +70X to +75X FOB, a very high price for harvest time. This high premium structure assumes no more Argentine bean exports and that Brazilian exportable bean supplies will be spoken for by the beginning of fall harvest. That being said, it was interesting to note that a cargo of Argentine beans was offered today for June shipt at +50N FOB but it failed to attract much interest because Asian buyers have basically completed their June purchases. The Midwest weather forecast for next week got a bit wetter today after swinging a bit drier on Wed. Now all areas of the Midwest (east and west) are expected to see ¼ to 1 inch rains Tue/Thu of next week shutting down a planting window for the eastern belt that cracked open yesterday but closed today. Excessive rains have fallen in the Mid-South areas (AR, west TN, west KY) and there will likely be some corn acres switched to beans. Farmers do not like to plant corn past May 15 in these areas. Informa will issue revised 2009 soybean planted acres Friday morning. In their last estimate back in March Informa estimated bean acres at 81.5 million versus 75.7 million last year. Brazilian beans were offered at +78N FOB Santos for June shipt. Yesterday a good quantity of Paranagua beans traded for Aug shipt at +90Q FOB. Conab and IGBE both estimated the Brazilian soybean crop at 57.6 million tonnes versus 58.5 million tonnes in

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April. Parana bean harvest is now estimated at 98% complete by DERAL. Sources within the Argentine Agriculture Secretariat hint that their soybean crop estimate will drop to 33 million tonnes from the 37-39 million tonnes range reported in March. Chinese soybean futures closed 8 Yuan higher overnight. Chinese farmers in northeastern provinces are expected to reduce their soybean planted area this year in favor of corn.

Oil

N briefly poked its head above the 200-day moving average at 3931 and then retreated to close at 3878, down 20 pts on the day. In options, leading players were LPM (bought 700 U 45 calls/sold 350 U 40 calls), Citi (bought 500 N 34 calls/sold 500 N 31 calls) and Tenco (bought 500 N 35 puts). Weekly export sales were solid at 34,600 tonnes with India taking 21,600 tonnes, Morocco taking 15,700 tonnes and Mexico taking 11,700 tonnes. YTD export sales commitments stood at 653,500 tonnes, down 31% from last year. Egypt will tender May 12 for 25,000 tonnes soy oil for L/H June and again on May 14 for 15-20,000 tonnes each of soy oil and sun oil for F/H July. Argentine soy oil was quoted at -60N FOB for May/Jul and -50 FOB for Aug/Sep. Brazil soy oil traded for Jun/Jul at -70N FOB. Chinese soy oil futures rallied by 140 Yuan overnight. Malaysian palm oil futures closed unchanged after early session losses with the recovery sparked by reports that palm oil stocks had fallen to 1.2 million tonnes. Indonesia sold 5000 tonnes of crude palm oil out of 6000 tonnes offered at the government auction.

Meal

N closed \$3.30 lower after trading over \$5 higher right after the opening. It is interesting to note that N meal closed either at 344.80 or 345 for three straight days this week (Mon-Wed). We would then look at 345 as an interim resistance point that needs to be breached soon on a close basis to keep the bull market on track. In options, Fortis bought 1300 N 350 calls/sold 1300 N 280 puts. In crush trade, Tenco for the second straight day was an active seller of Z crush selling 1350Z today after selling 1200Z on Wed. Tenco also reversed 400Z and 250N crush today, Fortis reversed 400Q crush and sold 250N crush, and Bunge sold 200V and 250N crush. Weekly export sales were so-so at 135,400 tonnes old crop and 60,100 tonnes new crop. Unknown took 55,000 tonnes for old crop and 60,000 tonnes for new crop. We were expecting to see more new crop sales than this. YTD export sales commitments stood at 5.613 million tonnes, down 7.5% from last year. The Philippines bought 45,000 tonnes of US soy meal for June shipt from the PNW. S. Korea bought 110,000 tonnes soy meal last week. Russia has lifted the import ban on pork from the states of IN, KS, MI, NV and OH. Hog futures closed lower today but just modestly so. China is still pondering steps to intervene in their pork market to support prices. Brazilian pellets traded for June shipt at +8N FOB.

Corn

In overnight trade July closed at 413 $\frac{3}{4}$ up 6 $\frac{1}{4}$ and December corn closed up 5 $\frac{3}{4}$ cents at 432 $\frac{1}{2}$. This morning the July contract opened at 410 $\frac{1}{2}$ up 3 cents and the December contract opened at 429 up 2 $\frac{1}{4}$ cents. At the time of the grain market opening crude oil was higher and the dollar was weaker. Funds came in this morning with an estimated short position of 13,000. Deliveries against the May were only 5. There were 37 corn receipts canceled late Wednesday. Export sales came out this morning and corn exports were disappointing with 588,700 for old crop and 22,400 for new crop. Expected sales were anywhere from 700,000-1.3 million. Thailand is preparing to export 2mt of corn. China may eventually allow some corn exports if summer growing season turns out ok. Last week South Korea bought a total of 220,000 tons of corn. South Korea is now seeking 55,000 tons of corn. Malaysia is in for 110,000 tons of corn. Taiwan is shopping for 60,000 tonnes corn. CONAB came out this morning with their corn crop estimate 51.4 million tonnes versus 50.4 million tonnes in February. Chinese farmers in northeastern producing areas expect to grow more corn instead of beans this year. There is still rain in the forecast for China's Corn Belt which is welcomed. Dry weather is expected for the next several days in the western Corn Belt allowing more planting to be done. July corn closed today at 412 up 4 $\frac{1}{2}$ cents on the day. December corn closed today at 431 up 4 $\frac{1}{4}$ cents. The corn market was higher all day. Funds bought an estimated 11,000 contracts today. Informa will be out tomorrow morning at 10:30 AM with their acreage estimates. They estimated corn acres at 81.4 million in March versus 86.0 million last year. USDA supply and demand report is coming out Tuesday morning and the average guess for carryout is

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1711 million bu old crop and 1383 million bu new crop.

Wheat

In overnight trade July Chicago wheat closed at 563 up 4 $\frac{3}{4}$ cents, July Minneapolis wheat closed at 682 $\frac{3}{4}$ up 4 $\frac{1}{2}$ cents, and KC July wheat closed at 610 $\frac{3}{4}$ up 3 $\frac{3}{4}$ cents. This morning the July Chicago wheat opened at 565 up 6 $\frac{1}{4}$ cents, July Minneapolis wheat opened at 684 up 5 $\frac{3}{4}$, and July KC wheat opened at 601 up 2 $\frac{1}{4}$ cents. Funds came in this morning with an estimated short position of 27,000. Deliveries against the May were 1725 in the Chicago wheat, 6 in the Chicago mini wheat, 8 in the KC wheat, and 106 in the Minneapolis wheat. There were 30 Toledo receipts canceled late Wednesday. Export sales came out this morning and wheat exports were inline with 254,700 for old crop and 131,600 for new crop. The expectations for the export sales were 200-450,000. Jordan, Iraq, and Syria are looking for wheat. The CCC tendered overnight for 56,750 tonnes of HRW for Ethiopia and Uganda. India will allow 2mmts of wheat to be exported after May 15th due to overflowing stocks. EU cleared 397,000 wheat exports this week with a total for the season of 18.8mmts. South Africa total '08/09 wheat crop pegged at 2.13mmts versus 1.905mmts last season. HRW winter wheat crop tour ended today. Oklahoma suggests the crop is down more than 50% from last season. Kansas '09 wheat yield 40.8 bushels per acre versus 43.3 in '08. Wheat production 333.3m bushels versus 379.1 in '08. Argentina wheat areas are still dry with rain in forecast for late next week. Argentine wheat prices jumped by 20% this week after an agreement between the government and exporters whereby exporters agree to buy 1 million tonnes of wheat at a full price that reflects the theoretical FAS price minus the 23% export tax. This

agreement is aimed at encouraging wheat plantings. Australia's western and southeastern wheat areas are also still dry. Rain is still in forecast for China's Wheat Belt. Chicago July wheat closed today at 565 up 6 $\frac{1}{4}$ cents. Minneapolis July wheat closed today at 686 $\frac{1}{2}$ up 8 $\frac{1}{4}$ cents. KC July closed at 613 $\frac{3}{4}$ up 6 $\frac{3}{4}$ cents. Funds bought an estimated 5,000 contracts today. Informa will be out with their spring wheat acreage estimate at 10:30 am CST. Their March estimate was 14.077 million acres. USDA supply and demand report will be out on Tuesday before the market opens.

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Light Country Movement

	Beans	Corn
Chicago	10 N	0 N
Toledo	4 N	-10 N
CIF	64 TO 70 N	36 TO 40 N
	Oil	Meal Lo/Hi
Decatur	-330 TO -180 K	5 TO 7 K
Des Moines		+4 N

CBOT Oil/Meal Registrations

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

U.S. Export Sales Report: Sales Summary--, 1995--KRF

	week's net chg in commitments		total commitments		undlvd sales	
	this year	next year	this year	last year	this year	next yr
Wheat	254.7	131.6	26342.3	33981.0	2161.4	1421.5
Corn	588.7	22.4	37928.3	56528.7	10052.0	805.3
Soybeans	654.4	121.0	32444.0	28885.9	4851.3	2520.7
Soymeal	135.4	60.1	5612.8	6069.0	1248.2	188.0
Soyoil	34.6	0.0	653.5	947.7	207.8	188.0

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