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Daily Market Letter **As of the close on January 12, 2009**

Corn

	Corn		Oats	
Mch	380 3/4	-30	213	-17
May	391 1/4	-30	222 1/2	-17
Jly	401 1/2	-30	232	-17

Down the 30 cent limit with synthetics an additional 8 cents lower in response to bearish USDA stats and, at midsession, a wetter weekend forecast for Arg. Daily trading limits will expand to 45 cents on Tues.

The USDA surprised the trade with a larger final crop estimate (12101 vs 12020 in Nov). Most had been looking for a modest 50-100 milbus reduction. USDA Dec 1 stocks were also higher than expected at 10084 milbus (even taking into account the larger crop). The implied feed / residual was 1972 milbus…the lowest since 2002 and 18% below last year's 2402. We do believe that last year's 2402 was inflated by an early harvest (2007-crop harvested and consumed in July-Aug, but not "counted" until the Dec stocks report). Realistically, the Sep-Nov feed / residual in 2007 was probably closer to 2200 and would make this year's feed residual at 1972 about 10% lower than last year.

In their world stats, the USDA adopted the CNGOIC's China crop estimate at 165.5 mmt vs the USDA Dec estimate at 160. They put the entire increase into China carryover stocks. The Argentine corn crop was lowered to 16.5 mmt vs 18 previously and the Brazil corn crop was lowered to 51.5 from 53.5. Both were consistent with recent trade indications. Argentine corn exports were lowered by 1.5 mmt to 9.0 due to the smaller crop. Brazil exports were maintained at 9.5 mmt due to the cushion of large carryover stocks. The other meaningful change in the world stats was a 1 mmt reduction in projected Mexico imports to 8 mmt from 9 due to a larger crop.

In their updated S&D's, the USDA raised the projected 2008-09 carryover to 1790 milbus from 1474 previously….based the larger crop and lower ethanol, feed, and export projections. We are not quite as high

Estimated Large Speculator Activity
CBT CORN

	Daily Activity	Est Net Position	Percent of O.I	Total O.I. (In Mil)
6-Jan	CFTC	-12,300	-1.5%	815.3
7-Jan	-4000	-16,300	-2.0%	811.9
8-Jan	-3000	-19,300	-2.4%	812.0
9-Jan	3000	-16,300	-2.0%	804.8
12-Jan	-4000	-20,300		

Cash Market -Corn

	Shipment Month	Basis Cents/bu Bid	Change	Ask	Change	Futures Month	Futures close	$/Metric Tonne Bid	Net Change	$/Metric Tonne Ask	Net Change
Chicago	Nearby	-12	0			Mch	380.75	145.2	-11.8		
Toledo	Nearby	-10	0			Mch	380.75	146.0	-11.8		
Decatur	Nearby	-5	0			Mch	380.75	147.9	-11.8		
Danville	Nearby	-14	0			Mch	380.75	144.4	-11.8		
U.S. Gulf	Jan	44	1	45	0	Mch	380.75	167.2	-11.4	167.6	-11.8
CIF	Feb	44	0	46	0	Mch	380.75	167.2	-11.8	168.0	-11.8
Barge	Mch	43	0	46	1	Mch	380.75	166.8	-11.8	168.0	-11.4
	Apr/May	35	0	39	1	May	391.25	167.8	-11.8	169.4	-11.4

CORN: U.S. SUPPLY AND DEMAND (September - August Marketing Year)									
						WASDE	WASDE		
						11-Dec	12-Jan		
	03/04	04/05	05/06	06/07	07/08	08/09	08/09	08/09	09/10
						USDA	USDA	LaSalle	LaSalle
Planted Acres	78.7	80.9	81.8	78.3	93.5	85.9	86.0	86.0	86.0
Harvested Acres	71.1	73.6	75.1	70.6	86.5	78.2	78.6	78.6	79.0
Yield (Bu/Ac)	142.2	160.4	147.9	149.1	150.7	153.8	153.9	153.9	157.0
Begin Stocks	1087	958	2114	1967	1304	1624	1624	1624	1609
Production	10089	11807	11114	10535	13038	12020	12101	12101	12403
Total Supply	**11190**	**12776**	**13237**	**12514**	**14362**	**13659**	**13740**	**13740**	**14022**
Exports	1897	1814	2147	2125	2436	1800	1750	1810	1800
Feed Use	5798	6158	6139	5592	5938	5350	5300	5272	5200
Food/Ind/Seed	2537	2686	2982	3490	4364	5035	4900	5049	5650
Ind Use-Swtnr/Starch	*1028*	*1020*	*1033*	*1021*					
Ind Use-Bevg/Mfg Alcohol	*132*	*133*	*134*	*136*					
Ind Use-Fuel Alcohol	*1168*	*1323*	*1603*	*2119*	*3026*	*3700*	*3600*	*3700*	*4300*
Food/Seed	*209*	*210*	*212*	*213*					
Total Usage	**10232**	**10658**	**11268**	**11207**	**12738**	**12185**	**11950**	**12131**	**12650**
End Stocks	**958**	**2118**	**1969**	**1308**	**1624**	**1474**	**1790**	**1609**	**1372**
End Stks/Use %	9.4%	19.9%	17.5%	11.7%	12.7%	12.1%	15.0%	13.3%	10.8%

at 1609 milbus. We prefer to see another month or two of ethanol production before lowering the ethanol grind. The weather problems in Argentina make us reluctant to lower our corn export forecast any further than our current 1810…although we recognize that the current pace of sales and shipments are not much better than a 1500 pace.

Notice that we are currently using 86 million planted acres in 2009…unchanged from this year and recently helped by declining fertilizer prices. With a trend yield in 2009 at 157…and assuming the RFS remains intact and that the ethanol industry doesn't go away…there isn't a whole lot of margin for error in the 2009-10 balance. This should keep the corn market strongly tied to beans and their problems in Arg. If the Arg weather continues to stress beans and the US bean market decides it needs more acreage in 2009…the corn market may have a tough time sustaining the sharp breaks.

Corn exports in the w/e Jan 08 were slow at 20 milbus…well-below the 36-37 / week needed to reach our Dec-Feb forecast at 450 milbus. Crop year shipments are 560 vs 915. This is a 39% reduction vs the latest USDA crop year forecast calling for a 28% reduction (1750 vs 2436).

The CIF Gulf barge market was

CORN : QUARTERLY SUPPLY/DEMAND (Millions of Bushels)								
		2002/03	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Begin Stocks		1,596	1,087	958	2,114	1,967	1,304	1,624
Production		8,967	10,089	11,806	11,112	10,531	13,038	12,101
Sep 1 Supply Incl Imports		**10,567**	**11,179**	**12,766**	**13,228**	**12,499**	**14,344**	**13,729**
Sep-Nov	**Exports**	393	470	499	477	596	693	435
	Feed	1,987	2,166	2,171	2,239	2,172	2,402	1,972
	Sweet/Starch	245	248	251	253	253	246	250
	Ethanol	226	263	312	364	466	644	907
	O. Dom	79	79	80	80	80	81	81
Total Use		2,930	3,226	3,313	3,413	3,567	4,066	3,645
12/1 Stocks		**7,637**	**7,954**	**9,453**	**9,815**	**8,933**	**10,278**	**10,084**

steady with Jan bid 44 and Feb 42. Barge freight was very strong with the nearby IL R trading 525 vs 475 on Friday as the trade continues to worry about extreme cold later this week and worsening river logistics.

Registrations for Delivery

Corn:

Chicago:	29 unch
Lockport-Seneca:	895 unch
Ottawa-C'cothe:	3113 unch
C'Coeur- Pekin:	0 unch
Total:	4037 unch
Oats:	Mpls: 3563 unch

Options

Mch 380 Volatility Calls @ 42.91 / Puts @ 58.61

Outlook

Corn, by itself, is bearish with all its demand problems with ethanol, feed, and export. The increase in the final production estimate didn't help. However, if the Argentine weather continues hot / dry and their soybean problem turns into a 20-30% yield loss, the US will need to plant more beans in 2009…which potentially takes acreage away from corn. The 2009-10 corn balance starts to get interesting with lower planted area. The bottom line is that it's going to be tough to keep the corn market under pressure if Arg stays hot and dry.

Jim Fritz

Wheat

	CGO		KC		MPL	
Mch	569 3/4	-59 3/4	595	-56	628 1/4	-52
May	582 1/2	-59 3/4	606 1/4	-56 1/4	629 3/4	-55
Jly	594	-59 1/4	616 1/2	-56 1/4	635 1/2	-55

Down sharply on a bearish stocks report from the USDA with smaller than expected winter wheat area largely ignored as US ending stock prospects remain

Estimated Large Speculator Activity
WHEAT

	Daily	Est Net	Percent	Total O.I.
6-Jan	CFTC	-15,900	-6.0%	261.0
7-Jan	-2000	-17,400	-5.9%	261.0
8-Jan	2000	-15,400	-5.3%	263.3
9-Jan	2000	-13,400	4.9%	265.3
12-Jan	-3000	-16,400		

comfortable in 09/10 and corn and beans were down their respective limits. Dollar strength and broad-based commodity weakness was also a negative feature. Futures closed just shy of limit down in Chgo - 58-59 cents lower, down 56-57 in KC, and 52-58 cents lower in Mpls. EU markets were also under pressure (but had relative support from euro weakness) with Mch futures in Paris closing down 6.25 euros/tonne (23 cents). French cash values were up 1 euro/tonne.

In domestic cash markets, SRW barge basis was a touch firmer with nearby barges bid 67-WH vs 70 under Fri. The HRW Track market was bid 65+KWH for Jan and Feb vs 65 offer for Feb on Fri. HRW protein premiums were unchanged. Mill demand is slow but offers are said to be limited. Mpls spring wheat basis was steady to 5-10 cents higher.

The USDA reported Dec 1 stocks at 1422 milbus – well above the average trade estimate of 1364 and our estimate of 1363 milbus. This implied a Sep-Nov "find-back" of 130 milbus – historically high but makes sense given Sep 1 stocks were less than expected and HRW never priced into the feed ration. Much of the increase is thought to be HRW. Our estimates by-class

U.S. Dec 1 Wheat Stock Estimates By Class

	White	HRS	HRW	SRW	Durum	Total
2002	180	352	553	161	75	1321
2003	198	421	660	174	67	1520
2004	199	437	538	177	79	1430
2005	194	422	540	191	82	1429
2006	178	368	460	258	51	1315
2007	128	255	521	188	40	1132
2008 LAS Expected	***144***	***310***	***564***	***303***	***42***	***1363***
2008 LAS Actual	**165**	**315**	**598**	**299**	**45**	**1422**

Cash Market - Wheat									
	Shipment	Basis cents/bu			Futures		$/Metric	$/Metric	Net
SRW	Month	Bid	Ask	Change			Tonne Bid	Tonne Ask	Change
Chicago	Nearby		-130	0	Mch	569.50		161.5	-22.0
Toledo	Nearby		-119	0	Mch	569.50		165.5	-22.0
SRW	Jan	-70	-60	0	Mch	569.50	183.5		-22.0
CIF	Feb	-55	-45	2	Mch	569.50	189.0		-21.3
U.S. Gulf	Mch	-40	-30	0	Mch	569.50	194.6		-22.0
HRW	Feb	65	75	0	KC-Mch	595.00	242.5		-20.6
TRACK	Mch	67	80	0	KC-Mch	595.00	243.2		-20.6
U.S. Gulf	Apr/May	65	70	0	KC-May	606.25	246.6		-20.7
French	Jan				Jan			200	2.0
F-O-B	Feb				Feb			199	0.0
ARG	Jan				Jan			210	3.0
F-O-B	Feb				Feb			208	0.0

are 598 HRW, 315 HRS, 299 SRW, and 165 milbus white. Durum stocks were reported at 45 milbus vs 39 last year. We have attached our quarterly S&D and a table of our by-class stocks estimates.

In the S&D, USDA raised its 08/09 carryout forecast by 32 milbus to 655 milbus – due to a 2 milbus reduction in seed use (lower than expected winter wheat area) and a 30 milbus reduction in feed use. HRW stocks bore most of the increase to 248 milbus vs 205. White stocks were down 10 milbus to 74 milbus with exports up 10. HRS exports were lowered by 10 milbus. This was offset by a 10 milbus increase in domestic use and ending stocks were unchanged at 160 milbus.

Winter wheat seedings were lower than expected, particularly in HRW at 30.2 mil acres, down from 31.3 last year. We were expecting an increase due to strong incentives from the CRC insurance program. However we knew the risk was to the downside given last year also failed to add area despite strong incentives. Area in KS was forecast down 600 thous acres from last

WHEAT: U.S. SUPPLY AND DEMAND (JUNE - MAY MARKETING YEAR)								
					12-Jan		12-Jan	
					USDA	*LaSalle*	USDA	*LaSalle*
	2003-04	2004-05	2005-06	2006-07	2007-08	*2008-09*	*2008-09*	*2009-10*
Planted Area	62.1	59.7	57.2	57.3	60.5	*63.1*	*63.1*	*57.9*
Harvest Area	53.1	49.9	50.0	46.8	51.0	*55.7*	*55.7*	*50.9*
Yield	44.2	43.2	42.0	38.7	40.2	*44.9*	*44.9*	*42.6*
Carry-in	491	546	540	571	456	*306*	*306*	*638*
Production	2344	2157	2103	1808	2051	*2500*	*2500*	*2169*
Imports	63	71	81	122	113	*110*	*110*	*100*
Total supply	**2898**	**2774**	**2725**	**2501**	**2619**	***2916***	***2915***	***2907***
Seed	80	78	78	82	88	*80*	*80*	*82*
Domestic Mill	912	910	917	938	947	*950*	*950*	*960*
Feed/Residual	202	180	157	117	15	*228*	*230*	*160*
Exports	1158	1066	1003	909	1264	*1020*	*1000*	*1000*
Total Use	**2352**	**2233**	**2155**	**2045**	**2314**	***2278***	***2260***	***2202***
Carry-out	**546**	**540**	**571**	**456**	**306**	***638***	***655***	***705***
Carryout/use	23.2%	24.2%	26.5%	22.3%	13.2%	*28.0%*	*29.0%*	*32.0%*
Farm Price	3.40	3.40	3.42	4.26	6.48	*4.75-6.75*	*6.50-6.90*	*4.25-4.75*

US Wheat Quarterly S&D									
	1989/90	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Sep 1 stocks	**1918**	**2157**	**1749**	**2039**	**1938**	**1921**	**1747**	**1701**	**1856**
Imports	7	29	23	18	19	20	29	21	28
Sep-Nov Supply	1925	2186	1772	2057	1957	1942	1776	1722	1884
Food	192	245	238	240	236	238	243	245	250
Seed	70	52	55	53	47	51	56	60	57
Feed	-88	-23	-75	-62	-56	-61	-46	-120	***-130***
Exports	329	288	235	305	300	286	212	421	285
Sep-Nov Use	503	562	453	536	527	514	465	606	462
Dec 1 stocks	**1422**	**1624**	**1320**	**1520**	**1430**	**1427**	**1311**	**1116**	**1422**

year. Our 09/10 HRW production forecast is down 40 milbus as a result but much will depend on spring moisture. SRW, at 8.3 mil, was lower than our forecast (and the average trade estimate) of 8.7 mil acres but was in the ball park. The stand-out was AR at 420 thous acres, down from 1070 last year. White winter was forecast at 3.6 vs 3.8 last year.

Balance sheet implications were negative despite the lower acreage with 09/10 ending stocks forecast at 705 milbus vs 638 in 08/09. A smaller crop or larger exports could tighten the balance, but stocks should remain comfortable. HRW stocks look to build the most in 09/10 barring a yield problem with SRW expected to remain comfortable at 112. HRS, white, and durum stocks can all build modestly in 09/10 (even with lower HRS area). We have attached our all-wheat and class S&D's for review.

In the world balance, world production was lowered by 1.1 mmt with Argentina's crop lowered by 1.0 mmt to 9.5 mmt and the EU down 400 tmt to 150.5 mmt. Turkey's crop was raised by 300 tmt. Argentine exports were reduced by 1.0 mmt to 4.3 mmt with Russia's up 1.0 mmt to 15.0 mmt. Overall world ending stocks were 148.4 mmt, up from 147.4 in Dec and 119.4 last year, mainly due to lower feed/increased stocks in the US.

Export inspections in the w/e Jan 8 were much improved at 19.6 milbus – and above the 15-16/week needed to meet our Dec-Feb export forecast of 200 milbus. Japan, Thailand, and Cuba were the primary destinations. Shipments by class were 8.7 HRW, 6.5 HRS, 2.4 SRW, and 2.0 white. Crop year shipments are 689 vs 827 milbus at the same time last year.

In other export activity, Egypt's GASC tendered after the close for 25-60 tmt opt wheat for Feb 5-20 shpt. SRW offers should be closer to Black Sea after today's break – possibly within $5-10/ton FOB. Saudi reportedly bought 500 tmt Canadian wheat at $245/ton C&F (12.5% pro or 14.0% dry). Austr offers were $280/ton C&F and US HRW replacement would've been near $280-285/ton. Wire services confirmed Iraq bought 600 tmt but didn't report origins or prices vs previous reports that they bought 500 tmt Canadian/Black Sea. Pakistan announced they would tender on Jan 31 for 150 tmt opt. This is in

US Winter Wheat Seedings					
mil acres					
	USDA Jan 12	**LAS exp**	**Informa**	**Ave trade est**	**Year Ago**
HRW	**30.2**	**33.0**	**31.4**	**31.1**	**31.3**
SRW	**8.3**	**8.7**	**8.7**	**9.4**	**11.2**
White	**3.6**	**4.0**	**4.0**	**3.8**	**3.8**
Total	**42.1**	**45.7**	**44.1**	**44.2**	**46.3**

US Durum Wheat Supply/Usage					USDA	LaSalle	LaSalle
	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09	2009-10
Carry-in	26	38	40	21	8	8	22
Production	90	101	53	72	85	85	79
Imports	29	32	42	41	35	35	30
Total supply	144	171	135	134	128	128	131
Seed	5	3	4	4	4	4	4
Domestic Mill	70	79	86	83	83	80	80
Feed/Residual	1	2	-10	-3	0	2	-5
Exports	31	47	35	42	20	20	25
Total Use	107	131	115	126	107	106	104
Carry-out	38	40	21	8	21	22	27

US White Wheat Supply/Usage					USDA	LaSalle	LaSalle
	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09	2009-10
Carry-in	72	62	52	44	37	37	78
Production	306	272	252	221	254	254	251
Imports	11	10	10	9	9	10	10
Total supply	389	345	313	275	300	302	339
Seed	7	7	6	6	6	6	6
Domestic Mill	75	85	85	85	85	85	85
Feed/Residual	39	26	-18	-24	15	3	5
Exports	207	175	197	170	120	130	160
Total Use	327	293	270	237	226	224	256
Carry-out	62	52	44	37	74	78	83

US HRS Supply/Usage					USDA	LaSalle	LaSalle
	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09	2009-10
Carry-in	157	159	143	117	68	68	169
Production	525	478	432	450	512	512	460
Imports	8	13	50	48	40	45	50
Total supply	690	649	625	615	620	625	679
Seed	21	21	19	20	19	20	21
Domestic Mill	228	227	236	233	231	235	235
Feed/Residual	-32	-23	3	-12	0	-7	-15
Exports	314	282	250	305	210	208	255
Total Use	531	506	508	547	460	456	496
Carry-out	159	143	117	68	160	169	183

US SRW Supply/Usage					USDA	LaSalle	LaSalle
	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09	2009-10
Carry-in	64	88	107	109	55	55	112
Production	380	310	390	352	614	614	420
Imports	22	27	20	14	25	20	10
Total supply	465	425	517	475	694	689	542
Seed	12	14	17	21	16	14	15
Domestic Mill	155	155	165	150	160	160	165
Feed/Residual	89	72	80	40	175	210	100
Exports	122	76	146	209	190	193	150
Total Use	378	317	408	420	541	577	430
Carry-out	88	107	109	55	153	112	112

US HRW Supply/Usage					USDA	LaSalle	LaSalle
	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09	2009-10
Carry-in	227	194	228	165	138	138	259
Production	857	942	682	956	1035	1035	959
Imports	1	0.43	1	1	0	0	0
Total supply	1085	1136	911	1121	1174	1174	1218
Seed	33	33	36	35	38	36	36
Domestic Mill	377	368	366	397	391	390	395
Feed/Residual	92	77	63	13	37	20	75
Exports	388	430	281	538	460	469	410
Total Use	891	908	746	983	926	915	916
Carry-out	194	228	165	138	248	259	302

addition to their Jan 24 tender for 250 tmt US white. Taiwan will tender Wed for 90 tmt US wheat for LH Feb/Mch shpt. Syria tendered for 200 tmt opt soft. Bangladesh will tender Jan 19 for 100 tmt opt. Jordan tenders Jan 21 for 100 tmt opt hard for Apr/May shpt.

Ukraine's State Statistics Committee reported 08/09 wheat production was 25.9 mmt – up from 13.9 mmt last year. This compares to the USDA forecast of 25.5 and the most recent forecast from UkrAgroConsult of 24.2 mmt. UkrAgroConsult reported that 65% of Ukraine's winter wheat crop is in good condition with 30% fair, and 5% weak.

India reported Jan 1 gov't wheat stocks of 18.2 mmt vs 19.6 in Dec and 7.7 mmt at the same time last year. Stocks are forecast to be 9.2 mmt on Apr 1 vs 5.6 mmt in Apr 2008.

There is still a cold threat in the US Thurs/Fri this week with a risk for winterkill in MO, southern IL, southern IN, and southern OH where snow cover is currently lacking and low temps forecast at or below zero F. Much of KS and NE is also at risk and the situation will need to be monitored.

Crop ratings in TX declined last week to 17% G/E, 31 Fair, and 52 P/VP from 19/35/46 last week, although still above last year's 9/30/61. Most areas are reportedly highly stressed due to dry conditions.

Registrations for Delivery

Wheat:

Chicago:	1561	unch
Toledo:	5643	unch
St Louis	300	unch

Options

Mch 570 Volatility Calls @ 51.92 / Puts @ 51.92

Outlook

Early direction should depend on GASC results, the US cold threat, and S Am weather forecasts (direction in corn and beans). SRW FOB offers should be closer to Black Sea offers which may provide underlying support, as should the cold threat to US wheat areas later this week. US futures may not need to break much further once SRW reaches competitiveness with Black Sea and markets will likely maintain a risk premium until spring weather is better known. However, our longer term outlook remains negative barring a major crop threat, with US, world, and major exporter stocks expected to build further in 09/10.

Megan Bocken

Soybeans and Meal

	Beans		**Meal**	
Jan	954	-83 1/2	296.50	-19.30
Mch	966	-70	294.50	-20
May	975 1/2	-70	295.90	-20
July	986 1/4	-70	298.50	-20

Dry Argentine weather forecasts pushed soybeans and meal higher overnight, but bearish USDA stocks and production numbers combined with bearish corn and wheat reports and general commodity weakness to push soybean and meal futures limit lower by the end of the session. The looser balance sheets allowed spreads to relax considerably. Old crop soybeans were synthetically trading about 5 cents lower than the limit-down settlements while new crop soybeans closed 64-69 cents lower. SH had a $1 daily range when taking synthetic

Estimated Large Speculator Activity

CBT Soybeans

	Daily	**Est Net**	**Percent**	**Total O.I**
6-Jan	CFTC	17,300	6.1%	281.9
7-Jan	-3000	14,300	5.1%	279.5
8-Jan	3000	17,300	6.1%	282.5
9-Jan	4000	21,300	7.5%	282.2
12-Jan	-5000	16,300		

Cash Market - Soybeans											
	Shipment	Basis Cents/bu				Futures		$/Metric	Net	$/Metric	Net
	Month	Bid	Change	Ask	Change	Month	Price	Tonne Bid	Change	Tonne Ask	Change
Chic	Jan	-8	0			Mch	966.00	352.0	(-25.72)		
Toledo	Jan	-15	0			Jan	954.00	345.0	(-30.68)		
Decatur	Jan	5	0			Mch	966.00	356.8	(-25.72)		
Danville	Jan	-5	5			Mch	966.00	353.1	(-23.88)		
U.S. Gulf	Jan	75	0	80	0	Mch	966.00	382.5	(-25.72)	384.3	(-25.72)
CIF	Feb	60	0	65	0	Mch	966.00	377.0	(-25.72)	378.8	(-25.72)
Barge	Mch	45	0	50	0	Mch	966.00	371.5	(-25.72)	373.3	(-25.72)
Brazil	Jan	40	0	60	0	Mch	966.00	369.6	(-25.72)	377.0	(-25.72)
F-O-B	Feb	25	-7	45	0	Mch	966.00	364.1	(-28.29)	371.5	(-25.72)
Vessel	Mch	10	0	15	-2	Mch	966.00	358.6	(-25.72)	360.5	(-26.46)
	Mch/Apr	-20	-5	-10	-5	May	975.50	351.1	(-27.56)	354.8	(-27.56)

Crush					
	Soymeal Share 48% protein	Soyoil Share	Daily Change	Crush Margin Cents/Bu	Daily Change
Jan	69.2%	36.6%	0.0%	74.3	15.5
Mch	70.1%	36.9%	0.0%	60.4	0.6
May	70.5%	37.0%	0.0%	58.2	0.7

trades into account. Old crop meal settled $19-20 lower and new crop meal finished $17-18 lower.

USDA increased their soybean production estimate by 38 million to 2959 million bushels. Trade had expected USDA to reduce the size of the crop by 11 million bushels. Yields were increased (by 0.5 to 3 bpa) in 10 of the 18 major producing states. National yield was increased by 0.3 bpa to 39.6 bpa. National harvested acreage was also increased slightly by 267k acres. December 1 soybean stocks were reported at 2276 million bushels, nearly 100 million bushels above the average trade guess. This implies a lower than normal 1st Quarter

SOYBEANS: U.S. SUPPLY AND DEMAND							
						Jan 12	
	04/05	05/06	06/07	07/08	08/09	08/09	09/10
				USDA	LAS-Proj	USDA	LAS-Proj
Planted Area	75.2	72.0	75.5	64.7	**75.7**	**75.7**	**77.0**
Harvested Area	74.0	71.3	74.6	64.1	**74.6**	**74.6**	**76.0**
Yield	42.2	43.0	42.7	41.7	**39.6**	**39.6**	**42.3**
Carryin	112	256	449	574	**205**	**205**	**280**
Production	3123	3063	3188	2676	**2959**	**2959**	**3216**
Imports	5	3	9	10	**9**	**9**	**10**
Total Supply	**3241**	**3322**	**3647**	**3260**	**3173**	**3173**	**3507**
Crush	1696	1739	1808	1801	**1640**	**1685**	**1725**
Exports	1103	940	1116	1161	**1105**	**1100**	**1075**
Seed	88	93	78	93	**92**	**90**	**90**
Residual	98	102	70	-1	**56**	**73**	**72**
Total Usage	**2985**	**2873**	**3073**	**3054**	**2893**	**2948**	**2962**
Carryout	**256**	**449**	**574**	**205**	**280**	**225**	**545**
Carryout % Use	**8.6%**	**15.6%**	**18.7%**	**6.7%**	**9.7%**	**7.6%**	**18.4%**

SOYBEAN MEAL: U.S. SUPPLY AND DEMAND (thousand short tons)							
						Jan 12	
	04/05	05/06	06/07	07/08	08/09	08/09	09/10
				USDA	LAS-Proj	USDA	LAS-Proj
Oct/Sep Crush	1710	1748	1810	**1779**	**1640**	**1685**	**1725**
Meal yield	47.62	47.20	47.57	**47.49**	**47.01**	**47.29**	**47.50**
Carryin, 10/1	211	172	314	**346**	**294**	**294**	**300**
Production	40,717	41,244	43,054	**42,242**	**38,547**	**39,841**	**40,965**
Imports	147	141	156	**141**	**155**	**165**	**160**
Total Supply	41,075	41,557	43,524	**42,729**	**38,996**	**40,300**	**41,425**
Exports	7,340	8,048	8,804	**9,280**	**8,400**	**8,400**	**8,800**
Feed Use	33,563	33,195	34,374	**33,155**	**30,296**	**31,600**	**32,325**
Total Usage	40,903	41,243	43,178	**42,435**	**38,696**	**40,000**	**41,125**
Carryout, 9/30	172	314	346	**294**	**300**	**300**	**300**

residual use even when factoring in the larger crop.

In the updated US soybean S&D, exports were raised by 50 million to 1100 million bushels while crush was cut by 30 million to 1685 million bushels. Supply was increased by 40 million bushels (production up 38 million and imports up 2 million). The result was a 20 million bushel increase in projected carryout to 225 million bushels. We are in line with USDA's revised export projections but forecast crush to fall another 45 million bushels on poor domestic meal demand. We are also carrying seed/residual 15 million bushels below USDA due to the large December 1 stocks number. Thus, our current carryout projection is 280 million, or 55 million bushels above USDA.

In the meal S&D, lower meal production was fully offset by a 900 TST decrease in domestic meal use. While we see this as a step in the right direction, we project domestic meal will ultimately fall another 1300 TST below USDA's revised estimate.

Few significant changes were made to the world S&D. World ending stocks were trimmed slightly by 0.25 MMT to 53.94 MMT. Argentine production was cut by 1 MMT to 49.5 MMT and Parguay production was cut by 0.9 MMT to 5.6 MMT, slightly more than offsetting the increase in US production. No major demand changes were made to any of the major destinations. Chinese imports were left at 36 MMT. We do project Chinese imports slightly higher than USDA at 37 MMT due to the government stock building of domestic soybeans, but we believe USDA is overestimating total use in the rest of the

US SOYBEAN QUARTERLY S&D							
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Sep 1 Stocks	208	178	112	256	449	574	205
Production	2756	2454	3124	3063	3188	2676	2959
Sep 1 Supply Incl Imports	2969	2638	3241	3323	3647	3260	3173
SON Crush	417	419	429	442	459	467	420
SON Exports	336	386	406	316	374	327	389
SON Residual	101	144	102	62	113	105	88
SON Total Use	854	949	937	820	946	899	898
Dec 1 Stocks	2115	1689	2305	2502	2701	2360	2276

world by 5-6 MMT. We have reduced our Argentine production estimate to 47 MMT (2 MMT below USDA) and have taken our Brazilian estimate to 58 MMT (1 MMT below USDA), but we still project world ending stocks some 2 MMT above USDA on the weaker world demand.

Argentine dryness remains a significant concern. This concern took a back seat to the USDA numbers on Monday, quite possibly because of the risk premium that had already been built into the market. However, the forecast for Argentina does still look to be potentially very troublesome. Most of the major producing areas of Argentina were dry over the weekend and have very little rain in the forecast this week. There is some fear that this dry weather pattern could persist for the next two weeks. Mid-day weather maps did suggest the potential for a bit more significant rainfall this weekend and into early next week, but confidence is low. Most of Brazil remains in good shape.

Most analysts still believe Brazilian production potential is likely to fall in the 57-59 MMT range. On the other hand, significant production losses are feared in Argentina. In Friday's wire, we mentioned that Argentina has experienced two significantly poor yield years since 1997, with yield 28% below trend in 1997 and 12% below trend in 2004. We are currently projecting Argentine yield about 5% below trend (47 MMT production), but recognize that could fall further if the dry pattern remains. Given the higher US production and stock estimates reported on Monday and our projected 2009 US acreage of 77 million acres, we believe Argentine production as low as 42-43 MMT would be enough to keep world stocks at a sufficient level provided Brazilian production stabilizes in the 58-59 MMT range. However, until they get rain, the fear will be that yield losses similar to 1997 could result in a production of 35-40 MMT, putting pressure on the US to grow significantly more soybeans this year. Thus, we will need to keep a close eye on Argentine weather developments.

US export inspections for the w/e January 8 were lower than expected at only 23.2 million bushels. However, YTD inspections are still running 11% ahead of last year. Shipments to China slowed to their lowest level since early October, but were still 14.0 million bushels. Mexico (3.5 million), the EU (2.5 million), and Japan (2.4 million) were the other major destinations. Annual shipments to China are up 42% year-on-year while shipments to the rest of the world are down 14%.

US cash markets were mostly steady to begin the week despite the sharp drop in futures levels. Crushers and exporters both report that they were able to secure solid ownership last week on the futures rally. Export business was very strong last week, primarily to China. USDA announced 399 TMT sold to China in a daily announcement (business would have taken place on Friday). However, buyers have not re-surfaced yet this week.

January soybean and meal futures go off the board on Wednesday. The SF/SH spread worked its way back to a 6-7 cent carry on Monday as stopping soybeans for loadout no longer pencils. The SMF/SMH did strengthen a bit on Monday, but SMF open interest is now below 1000 contracts.

Registrations for Delivery

Soybeans Chgo	282	dn 153
Lockport-Seneca	0	unch
Ottawa-C'cothe	0	unch
Creve Coeur - Pekin	0	unch
Havana-Grafton	0	unch
St Louis	0	unch
Soybeans Total	282	dn 153
Soy Oil Total	13003	unch
Soymeal Total	10	unch

Options

Mch 970 Volatility Calls @ 42.42 / Puts @ 47.61

Outlook

Monday's USDA report was clearly bearish, surprisingly increasing the 2008 soybean crop by more than 1 MMT and additionally implying smaller than normal 1st Quarter residual use. If the Argentine weather was not so bad, soybean futures would be headed right back to $8. However, the Argentine weather forecasts do not look good, leaving the market to determine if they will end up near 45 MMT (still bearish) or below 40 MMT (which would require significantly more US acres in 2009). We are in a weather market until better rains materialize in Argentina.

Mark Ditsch

Soybean Oil

	SoyOil			K.L.Palm	Oil
Jan	3418	-232	**Jan**	1971	+ 61
Mch	3441	-231	**Feb**	1998	+ 68
May	3479	-230	**Mar**	1988	+ 68
Jly	3515	-231	**Apr**	1995	+ 80

Soybean oil closed sharply lower – March down 231-pts to close at 3441 – though not limit-down as in soybeans and meal. Reports from USDA included a larger 2008 soybean crop, larger-than expected Dec 1 bean stocks and increases in carryout projections in both soybeans and soyoil and the modest 1.0 mmt reduction in Argentina's soybean production (to 49.5 mmt for crop to be harvested Mar-May.) Reports were seen as bearish. The December palm oil data was broadly neutral – the Dec-to-Jan stocks reduction was expected.

"Erratic" was the one-word description of crush margin and oil-share closes (as is often the case when parts of the complex close against daily limits.) Jan futures go off the board at noon Wednesday – weekend deliveries 400 ctrs with 2112 Jan contracts left open before Monday's trade. Call soybean oil basis seasonally weak … cash was overwhelmed by futures action Monday.

USDA cut their estimate of 2008/09 soybean crushing by 30 mln bu, reducing soyoil production 340 mln lbs, but they reduced estimated beanoil usage by 450 mln lbs (300 from exports, 150 from domestic non-biodiesel, more than we expected this month but reductions with which we cannot argue.) USDA's ending stocks then increased 110 mln to 2143 mln lbs.

Our carryout projection is lower, now 1975 mln lbs, based on expectations that the US soybean crush and soyoil production will be smaller than USDA's projections. Our 2009/10 carryout projection at 1850 mln lbs remains sufficient – but it could tighten if Argentine weather problems reduce soyoil exports. Unless soyoil stocks tighten more than we project,

Cash Market - Soymeal

	Shipment	Basis		Futures		$/Metric	Net	$/Metric	Net
F-O-B	Month	Bid	Ask	Month	Price	Tonne Bid	Change	Tonne Ask	Change
C.ILL	Jan		-2	Jan	296.5	315.8		324.6	(-21.27)
Brazil Pellets	Jan	8	14	Jan	296.5	335.7	(-21.27)	342.3	(-21.27)
48% Pro-Fat	Feb	7	9	Mch	294.5	332.3	(-24.25)	334.5	(-24.25)
F-O-B	Mch	-14	-12.5	Mch	294.5	309.2	(-26.46)	310.8	(-25.90)
	Apr/May	-24	-20	May	295.9	299.7	(-26.46)	304.1	(-24.25)

Cash Market - Soyoil

	Shipment	Basis		Futures		$/Metric	Net	$/Metric	Net
	Month	Bid	Ask	Month	Price	Tonne Bid	Change	Tonne Ask	Change
	Jan	-340	-280	Jan	3418	678.6	(-51.1)	691.8	(-51.1)
Brazil	Feb	-250	-210	Mch	3441	703.5	(-50.9)	712.3	(-50.9)
F-O-B	Mch	-350	-310	Mch	3441	681.4	(-55.3)	690.3	(-53.1)
	Apr/May	-380	-340	May	3479	683.2	(-57.3)	692.0	(-54.0)

U.S. Soybean Oil Supply and Demand - Million Pounds								
					Jan 12	Jan 12		
	03/04	04/05	05/06	06/07	07/08	08/09	08/09	09/10
					USDA	USDA	LaSalle	LAS-Proj
Oct/Sept Crush	1523	1710	1748	1812	**1783**	**1685**	**1640**	**1725**
Oil yield	11.21	11.32	11.67	11.31	**11.54**	**11.40**	**11.44**	**11.42**
Carryin, 10/1	1,491	1,076	1,699	3,010	**3,085**	**2,483**	**2,483**	**1,975**
Production	17,080	19,360	20,393	20,487	**20,568**	**19,210**	**18,758**	**19,707**
Imports	306	26	35	37	**65**	**50**	**62**	**68**
Total Supply	**18,877**	**20,462**	**22,127**	**23,535**	**23,718**	**21,743**	**21,302**	**21,750**
Exports	935	1,324	1,153	1,888	**2,908**	**1,750**	**1,800**	**2,000**
Domestic Use								
food and other	16,741	16,993	16,374	15,801	**15,346**	**14,750**	**14,828**	**14,800**
biodiesl	125	446	1,590	2,761	**2,981**	**3,100**	**2,700**	**3,100**
Total Use	**17,801**	**18,763**	**19,117**	**20,450**	**21,235**	**19,600**	**19,328**	**19,900**
Carryout, 9/30	**1,076**	**1,699**	**3,010**	**3,085**	**2,483**	**2,143**	**1,975**	**1,850**
Carryout/Use	6.0%	9.1%	15.7%	15.1%	**11.7%**	**10.9%**	**10.2%**	**9.3%**
Price, Decatur	29.97	23.01	23.41	31.02	**52.03**	**32-35**	**35-42**	
Oil Share, % Tot Prod Value	36.9%	38.6%	40.2%	43.0%	**43.6%**	**37.4%**	**41.6%**	
LaSalle -- January 12, 2009								

pricing will continue to depend on the energy value or soyoil and the relationship of biodiesel prices to petroleum – the market cannot allow biodiesel to price itself into wide use, especially if Argentine supplies are limited.

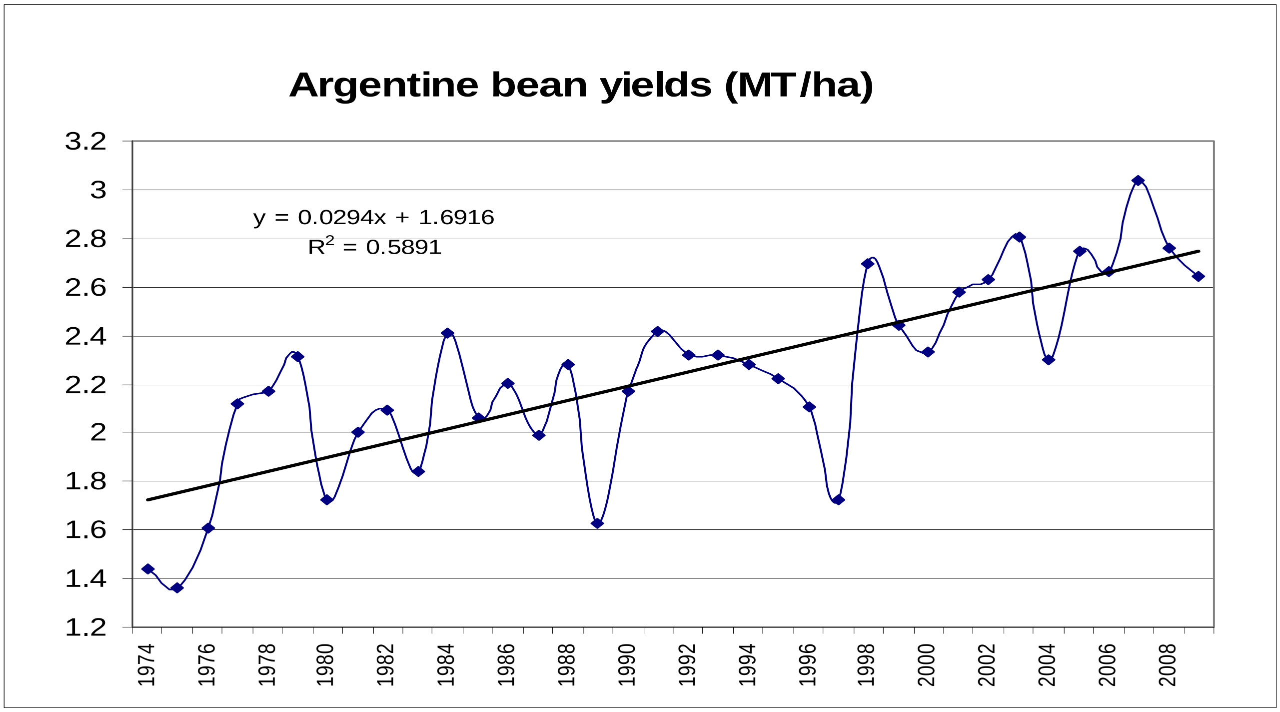
The report of MPOB palm oil data put production, exports and end-stocks within trade expectations. Malaysian palm oil stocks were reduced 270K tonnes from the record end-Nov levels. December production declined more than 10% from November, but was 6% larger than year-ago. Exports were exceptional in December. SGS Jan 1-10 exports were 385 vs 611K tonnes Dec 1-10 – exports won't be as large in January as in December, but stocks should be less burdensome over the next several months. We include a small MPOB-data table showing calendar 2008 production and exports were both just over 12% larger than in 2007.

Palm oil closed higher, March up 68 at 1988 r/t was close to recent highs. Dry Argentine forecasts boosting soybean and soyoil in the night-session which supported K.L gains and higher trade in soyoil and palm oil in Chinese futures.

Canola: March closed 18.50 lower at C$419.40, following soybean declines in moderate volume. Euronext rapeseed also followed Chicago declines – Feb was down 5.25 at 290.25 euros/tonne and May down 8.50 at 283.00. Volume was heavy, over 5.0K-ctrs of which 2.4K were in Feb.

Crude oil, like many "outside markets" was lower all day. CLG closed 3.24 lower at $37.59, its 1st below-$40 close of 2009. HOG settled 1.53 cents lower at $1.4724/gal with RBG at $1.0841/gal, down 2.71 c/gal. Traders cited slowing petroleum demand and weak economies – nothing new, but still the most dominant news until/unless there's a supply disruption.

Estimated Large Speculator Activity								
	CBT Soymeal				***CBT SoyOil***			
	Daily	Est Net	Percent	Total O.I.	Daily	Est Net	Percent	Total O.I
	CFTC				CFTC			
6-Jan		13,000	11.1%	116,779		-12,700	-6.4%	198,619
7-Jan	-1000	12,000	10.2%	117,566	-2000	-14,700	-7.4%	197,699
8-Jan	1000	13,000	11.0%	118,516	1000	-13,700	-6.9%	198,556
9-Jan	1000	14,000	11.8%	118,268	1000	-12,700	-6.5%	196,284
12-Jan	-100	13,900			-1000	-13,700		



Malaysian Palm Oil Board Data				
in 1000 tonnes	**Dec-07**	**Nov-08**	**Dec-08**	**Median Estimate**
Production	1396	1658	**1483**	1500
Exports	1365	1363	**1611**	1630
Ending Stocks	1682	2266	**1995**	1965
	Jan-Dec '07		**Jan-Dec '08**	**%-increase**
Production	15823		17735	**12.08%**
Exports	13735		15406	**12.17%**

Outlook

Soyoil was lower with soybeans, grains and many other commodities Monday. Specific soyoil news was thin – USDA added to carryout, but it's still 340 mln lbs lower yr-to-yr and soybean crushing / soyoil production should contract further in coming reports. Fundamentally, Argentine weather will be the key item through the rest of the week. Technically, an outside down-day in oil was slightly less convincing than the bearish reversal in beans, but may have ended the month-long recovery-rally.

Soyoil does not expand limits Tuesday while soybeans and meal (also wheat, corn and rice) do trade with expanded limits. Wednesday is the final day for January contracts (trading ends at noon for Jan soyoil, meal and beans.)

Dave Armstrong

Best Regards,
LaSalle Group