

MARKET PERSPECTIVES

23 January 2009

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1. CHICAGO BOARD OF TRADE & GLOBAL MARKET NEWS

The trading week started out on Tuesday after a three-day holiday capped by the Martin Luther King holiday on Monday. Overnight Monday corn trading was bullish on worsening drought reports from Argentina, but as the presidential inauguration event got underway in Washington there were reports of better weather coming to South America and profit takers in Chicago decided to sell the corn rally. When all was said and done, corn had swung 25.5 cents and ended down 7.50 cents from Friday's close.

Every weather report has its impact, and by Wednesday traders were back worrying about smaller corn supplies as the Argentine government lowered its forecasts. However, the worry wasn't deep enough to gain back all of the previous day's losses, though it came close (up 6.75 cents on March delivery).

By Thursday the weather models were back showing some rain for Argentina over the weekend and that brought a sell mentality. Although corn closed down just 2.75 cents, that was well above the day's lows.

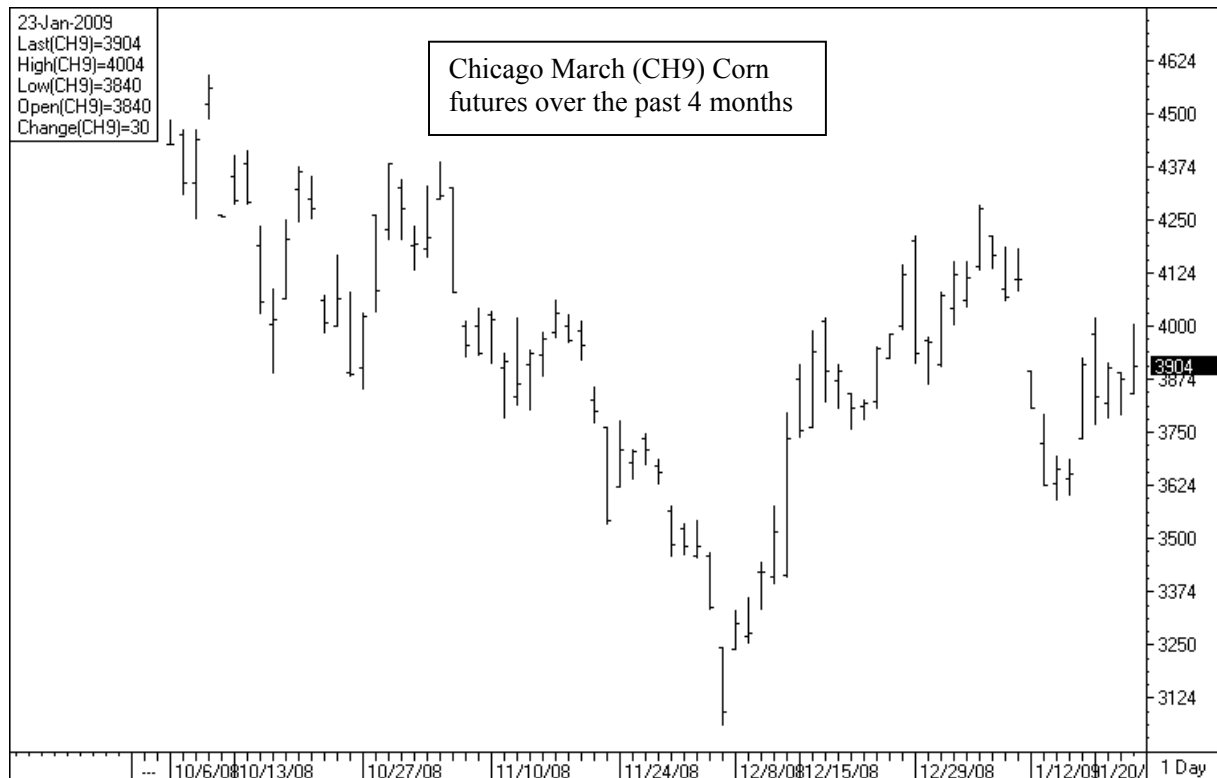
A real concern has been the slow pace of U.S. corn exports, down 10 to 20 percent from their normally front-loaded sales levels in the marketing year. But this week's Export Sales Report was the biggest of the marketing year (see below) and at one point took Friday's futures price up by 13 cents – back above \$4.00/bushel for the March contract. But late session profit taking resulted in a slide back down to a more modest close of +3.0 for the day.

Looking ahead, it is still difficult to be highly optimistic. Feed wheat remains an active threat cutting into the total potential for U.S. feed grain exports this year. That combined with the

macroeconomic situation leaves the weather situation in Argentina about the only consistent price supporting variable to look at.

2. CBOT FUTURES

CBOT March 2009 Corn Futures (CH9):



Source: Prophet X

Current Market Values:

Futures Price Performance: Week Ending 23 January 2009			
Commodity	23-Jan	16-Jan	Net Change
Corn			
March	390.50	387.5	3.00
May	401.50	398.5	3.00
July	412.00	409	3.00
Soybeans			
March	1,009.00	1012	-3.00
May	1,016.25	1019.5	-3.25
July	1,023.25	1027.5	-4.25
Soymeal			
March	318.30	318.2	0.10
Soyoil			
March	33.60	33.53	0.07

CBOT Wheat			
March	582.75	566.75	16.00
May	595.50	579.5	16.00
July	606.25	591.25	15.00
KCBOT Wheat			
March	610.50	598	12.50
May	621.25	608.75	12.50
July	631.00	618.5	12.50
MGE Wheat			
March	660.75	651.5	9.25
May	652.50	644.75	7.75
July	650.25	642.25	8.00

**Price unit: Cents and quarter-cents/bu (5,000 bu)*

Source: World Perspectives, Inc.

3. U.S. WEATHER

Arctic Cold Returns to Central U.S.

The U.S. Plains and Midwest have a new round of Arctic cold in store through the next five days. However, this air mass does not appear to be as cold as recent cold outbreaks. The only prospect for weather issues appears to be in western and central Nebraska where some snow is possible during the weekend.

More Southern Plains Dryness

Southern Plains crop areas remain under the influence of a pervasive dry weather pattern. Conditions are most dire in southern Texas, where extreme to exceptional drought is now in effect, according the latest Drought Monitor assessment. There is little precipitation expected in these areas during the next 10 days.

Outlook: Friday January 23, 2009 through Thursday January 29, 2009

A west to east jet stream flow across the northern U.S. will buckle a little during the next week with a broad trough developing through the Midwest and Northeast. A second trough will develop along the California coast later this weekend into next week. More very cold weather will push southward to the northern Plains, Midwest, and Northeast during the weekend well into next week with readings well below normal through the high use energy areas. Near to below normal temperatures will spill into the South until some moderation occurs later in the period. The West will see increased amounts of unsettled weather along with a slow cooling trend. Temperatures may cool to normal or a bit below normal by the end of the period. Locally heavy rains and mountain snows are likely across the West and Southwest during the next 4 or 5 days. Milder weather will develop across the central U.S. later in the period as precipitation develops from west to east.

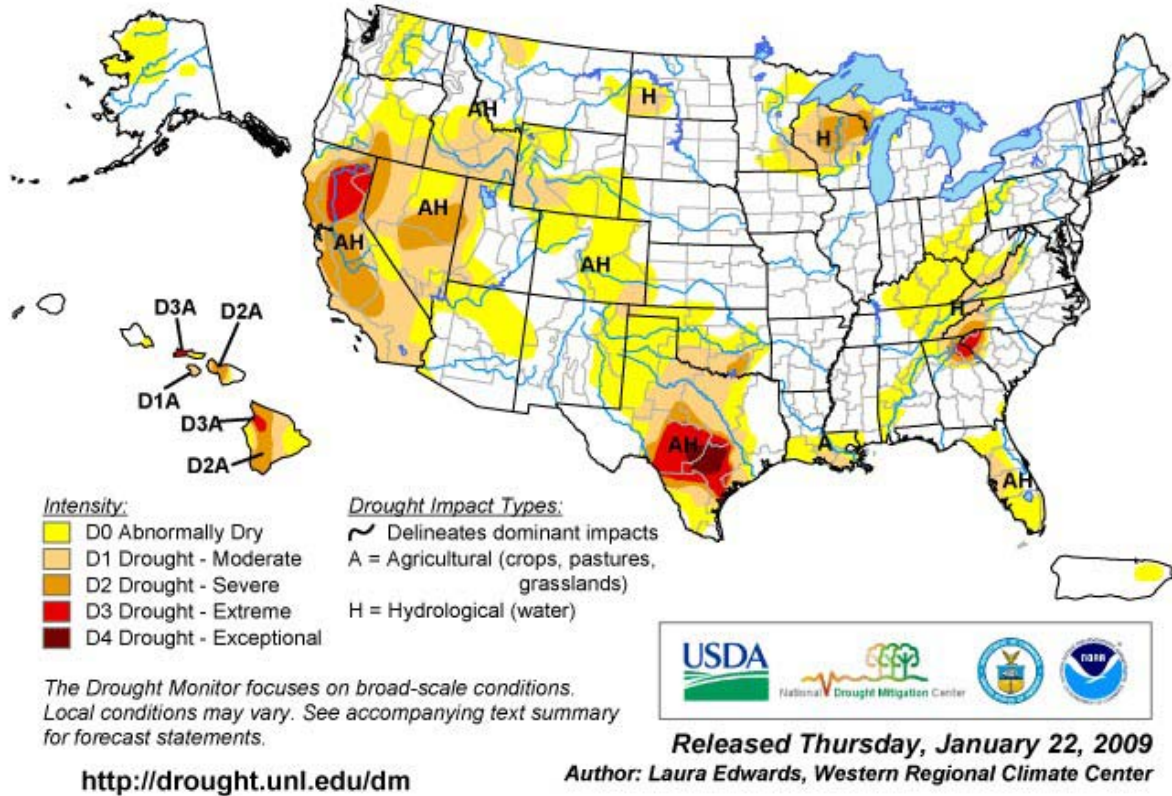
Source: DTN

U.S. Drought Monitor:

U.S. Drought Monitor

January 20, 2009

Valid 8 a.m. EST



4. U.S. EXPORT STATISTICS

Export Sales and Exports: Week Ending 15 January 2009					
Commodity	Sales (MT)	Exports (MT)	YTD Exports (000MT)	YTD Bookings (000MT)	Pct Change YTD Bookings
Wheat	462,100	182,300	18,365.8	22,331.7	-26%
Corn	1,164,700	684,000	14,893.9	22,603.3	-49%
Sorghum	84,100	18,800	914.0	1,492.6	-72%
Barley	0	1200	202	222.3	-75%

Source: USDA, World Perspectives, Inc.

Corn: Net sales of 1,086,100 MT--a marketing-year high--were up noticeably from the previous week and from the prior 4-week average. Increases reported for Japan (344,200 MT), South Korea (259,800 MT), Taiwan (146,700 MT), unknown destinations (96,000 MT), Mexico (94,900 MT), and the Dominican Republic (44,300 MT), were partially offset by decreases for Guatemala (48,800 MT). Net sales of 26,500 MT for delivery in 2009/10 were

for Japan. Exports of 684,000 MT were up 12 percent from the previous week and 3 percent from the prior 4-week average. The primary destinations were Japan (352,300 MT), South Korea (87,500 MT), Mexico (72,200 MT), Panama (32,200 MT), Cuba (25,400 MT), and Colombia (23,900 MT).

Barley: There were no sales reported during the week. Exports of 1,200 MT were for Mexico.

Sorghum: Net sales of 82,600 MT were for Japan (45,400 MT) and Mexico (37,200 MT). Exports of 18,800 MT were for Mexico (10,600 MT) and Japan (8,200 MT).

Weekly U.S. Export Inspections:

Export Week Ending 15 January 2009					
Commodity (1,000 bushels)	Export Inspections		Current Market Year YTD	Previous Year to Date	2008 YTD as Percent of 2007
	This Week	Previous Week			
Corn	26,681	20,013	589,031	965,577	61%
Sorghum	509	4,575	61,880	138,451	45%
Soybeans	37,025	23,228	589,834	532,187	111%
Wheat	6,916	19,613	696,919	846,152	82%
Barley	128	4	10,624	27,194	39%

Source: USDA/AMS. *Marketing Year is June 1-May 31 for wheat and barley and Sept. 1-Aug.31 for corn, sorghum and soybeans. Week-to-week reports will vary due to exporter reported corrections and cancellations to previous weeks reports. This report is issued each Monday on web site: http://marketnews.usda.gov/gear/browseby/txt/WA_GR101.TXT.

Export Inspections Highlights:

USDA Grain Inspections for Export Report: Week Ending 15 January 2009						
Last week (000 bushels)	YC	% of Total	WC	% of Total	Sorghum	% of Total
Gulf	18,940	72%	478	83%	180	35%
PNW	5,173	20%	0		325	64%
Lakes	0	0	0		0	
Atlantic	0	0	0		0	
Interior Export Rail	1,990	8%	100	17%	4	1%
Total (Mil. Bu)	26,103	100%	578	100%	509	100%
Total (Metric Tons)	710,419		15,730		13,852	
White Corn Shipments by Country:			310	to Guatemala		

			168	to Japan		
			100	to Mexico		
Total WC			578			
Sorghum Shipments by Country:					325	to Japan
					180	to Mexico
					4	to Mexico
Total Sorghum					509	

Source: USDA, World Perspectives, Inc.

Grains Inspected and/or Weighed for Export by Region and Country of Destination								
Reported in Week Ending Jan 15, 2009 (MT 1,000)								
REGION	COUNTRY	WHEAT	YELLOW CORN	WHITE CORN	BARLEY	SORGHUM	SOYBEANS	TOTAL MT
ATLANTIC	CHINA MAIN						0.60	0.60
	INDONESIA						0.49	0.49
	MALAYSIA						0.52	0.52
	VIETNAM						0.08	0.08
	SUBTOTAL	0	0	0	0	0	2	2
GULF	CHINA MAIN						275	275
	CHINA T						57	57
	COLOMBIA	7	24				7	37
	COSTA RICA	13	10					23
	CUBA		25					25
	DOMINICN REP		17					17
	EGYPT						63	63
	GUATEMALA		16	8				24
	HONDURAS	0.54						0.54
	JAPAN		270	4			75	349
	KOREA REP		57				56	113
	MEXICO	12	26			5	32	74
	NETHERLANDS						57	57
	NIGERIA	17						17
	PANAMA	23	32					55
	SPAIN						66	66
	TRINIDAD		3					3
	UGANDA	7						7
	SUBTOTAL	78	481	12	0	5	688	1,264
PACIFIC	CHINA MAIN						189	189
	CHINA T		1					1
	JAPAN	14	100			8		123
	KOREA REP	42	30					72
	MONGOLIA	25						25
	PHILIPPINES	15						15
	THAILAND	10					66	76
	SUBTOTAL	107	131	0	0	8	255	502

INTERIOR	CHINA MAIN						2	2
	CHINA T		3					3
	INDONESIA						7	7
	KOREA REP		3					3
	MEXICO	3	44	3	3		54	106
	PHILIPPINES						0.14	0.14
	SUBTOTAL	3	51	3	3	0	63	122
TOTAL		188	663	15	3	13	1,008	1,889
SHIPMENTS TO CANADA*		0	0	0	0	0	0	0

*NOT INCLUDED IN TOTAL INSPECTION FOR EXPORTS

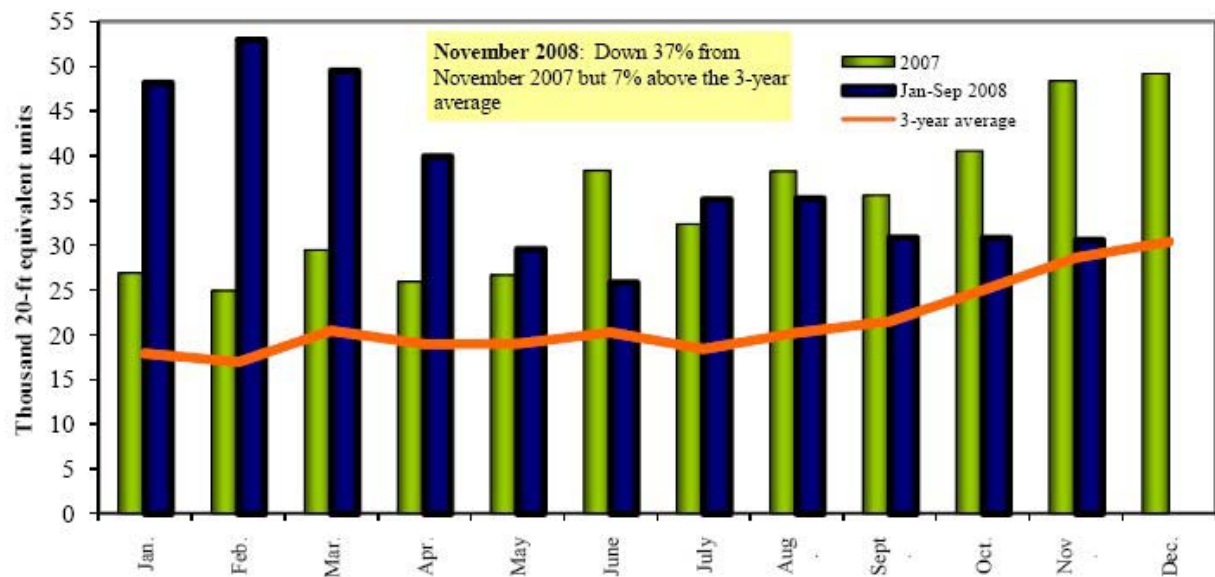
GRAIN SHIPPED FOR STORAGE IN CANADA IS REPORTED AT TIME OF SHIPMENT FROM ST LAWR SWY PORTS

**NUMBERS MAY NOT ADD DUE TO ROUNDING

USDA's Corrections/Additions to Last Week's Report								
Published January 21, 2009								
REGION	COUNTRY	WHEAT	YELLOW CORN	WHITE CORN	BARLEY	SORGHUM	SOYBEANS	TOTAL MT
INTERIOR	CHINA MAIN						1	1
	CHINA T		8				1	9
	HONG KONG		0.4					0.4
	INDONESIA						5	5
	KOREA REP						0.3	0.3
	MALAYSIA						1	1
	MEXICO	3	26	1	1	14	12	56
	VIETNAM		0.3				0.3	0.5
GULF	CAMBODIA	-16						-16
	COLOMBIA	16						16
	DOMINICN REP		6					6
	GERMANY						67	67
	GUATEMALA	-2						-2
	HONDURAS	4						4
	MEXICO		1				14	15
	NETHERLANDS						-67	-67
	NICARAGUA	2						2
	NIGERIA	5						5
	TRINIDAD	8	5					13
PNW	CHINA MAIN						66	66
	JAPAN	-21						-21
	THAILAND	21						21
ATLANTIC	JAMAICA		4					4
	MALAYSIA						1	1

Source: Federal Grain Inspection Service, wash.lgmn@usda.gov,
http://www.ams.usda.gov/mnreports/wa_gr101.txt

Monthly Shipments of Containerized Grain to Asia:



Source: Port Import Export Reporting Service (PIERS), *Journal of Commerce*

5. FOB

Yellow Corn (USD/MT FOB Vessel)						
YC FOB Vessel Max. 15.0% moisture	GULF		PNW		LAKES -Chicago	
	Basis (#2 YC)	Flat Price (#2 YC)	Basis (#3 YC)	Flat Price (#3 YC)	Basis (#3 YC)	Flat Price (#3 YC)
March 1/20	+.69 H	\$179.67	+80 H	\$175.27		
March 16/31	+.66 H	\$178.49	+80 H	\$175.27		
April	+.50 K	\$176.53			+.15 K	\$162.75
May	+.53 K	\$177.71				

White Corn (USD/MT FOB Vessel)		
#2 WC Fob Vessel Max. 15.0% moisture	GULF	
	Basis	Flat Price
February	+3.30	\$280.00
March	+3.35	\$280.07
April	+3.40	\$280.14
May	+3.45	\$280.21

Sorghum (USD/MT FOB Vessel)				
#2 YGS Fob Vessel Max. 15.0% moisture	NOLA		TEXAS	
	Basis	Flat Price	Basis	Flat Price
February	+.25 H	\$162.35	+.25 H	\$162.35
March	+.30 H	\$164.32	+.30 H	\$164.32
April	+.25 K	\$166.68	+.25 K	\$166.68
May	+.30 K	\$168.65	+.30 K	\$168.65

Barley: Feed Barley (FOB US \$/MT)				
	February	March	April	May
FOB PNW	\$140	\$140	N/O	N/O
FOB Lakes	\$153.40	\$153.40	N/O	N/O

Corn Gluten Feed Pellets (CGFP) (FOB Vessel US \$/MT)				
	February	March	April	May
New Orleans	\$110.00	\$110.00	\$110.00	\$110.00
Quantity 5,000 tons				

Corn Gluten Meal Fob Vessel (CGM) (US \$/MT)				
Bulk 60% Pro.	February	March	April	May
New Orleans	\$600.00	\$600.00	N/O	N/O
*5-10,000 MT Minimum				
All quotes are nominal				

*All Prices are Market Estimates

6. DISTILLERS DRIED GRAINS WITH SOLUBLES (DDGS)

Prices are higher again this week, with export demand leading the way in price and volume. We continue to see strong demand in both bulk and container markets.

Exports

Asian container export sales this week are estimated at about 35,000 MT, with some traded prices reported between \$200.00/MT to \$210.00/MT, to Taiwanese buyers for February shipment. The other major buyers in containers to Asia this week are Vietnam and the Philippines. In the bulk demand sector, the following exports were reported this week; Israel (13,000 MT of DDGS and 7,000 MT of Gluten Feed), and Cuba 12,000 MT of DDGS (probably sold in earlier weeks). There was talk of S. Korea buying large volumes of bulk DDGS out of the Gulf, but this has yet to be confirmed. Mexico was a steady buyer this week, but new sales were estimated at about only 10,000 MT.

Supply

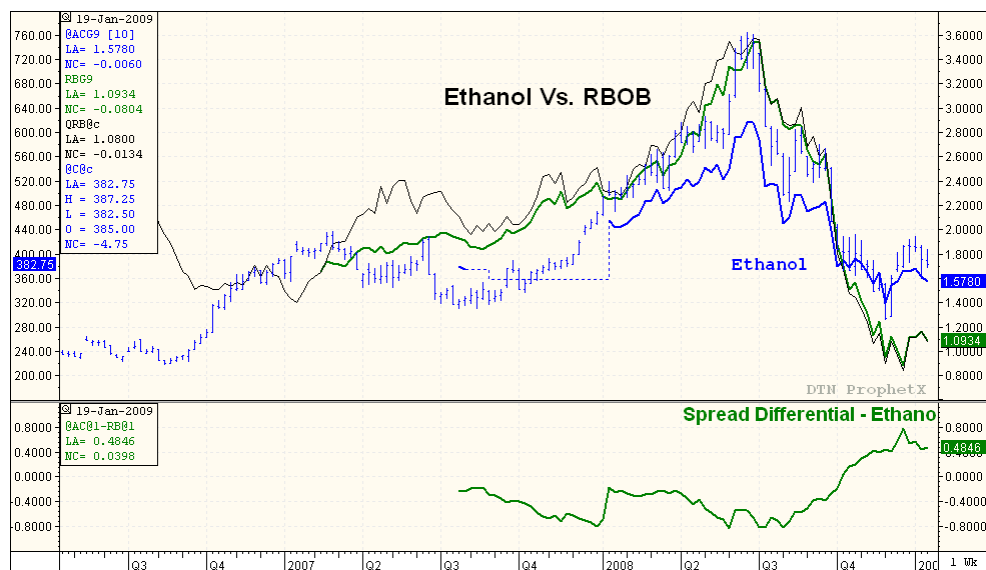
On the supply side, we continue to receive reports that 12 of 16 Verasun plants remain closed. It has been said that Valero Energy made an offer to purchase the company, but the offer was rejected by the bankruptcy courts. According to publicly available court documents, the court has ordered the auction of the Verasun-owned UBE plants to be completed during March 16-31, 2009, which may allow them to obtain financing from Ag-star Financial. Ethanol profit margins remain relatively low, and therefore it is unlikely that there will be further investment in the expansion of new ethanol capacity. Consequently, the rapid pace of DDGS production growth

seen from 2006-to 2008 will not continue, but at best, may be steady or increase very gradually over the next year.

Competing Ingredients such as canola meal, remain scarce, making DDGS more attractive in the beef and dairy cattle feed lot rations from the Pacific Northwest to California. Corn gluten feed prices are also moving higher, keeping pace with other mid proteins in an effort to fill the growing demand in both domestic and bulk export markets.

Delivery Point Quality Min. 36% Pro-fat combined	February High \$	February Low \$	March	April
Barge CIF New Orleans		165	165	165
FOB Vessel GULF		171	171	171
Rail delivered PNW		203	201	201
Rail delivered California		201	200	196
Mid-Bridge Laredo, TX	202	190	190	191
40 ft. Containers to South Korea (Busan)	224	210	212	215
40 ft. Containers to Taiwan (Kaohsiung)	210	197	199	202
40 ft. Containers to Philippines (Manila)	229	210	212	215
40 ft. Containers to Indonesia (Jakarta)	227	207	209	210
40 ft. Containers to Malaysia (Port Kelang)	234	205	208	210
40 ft. Containers to Vietnam (Ho Chi Min)	233	203	205	210
40 ft. Containers to Yokohama (Japan)		205	205	210
40 ft containers to Thailand Bangkok	229	204	204	210
40 ft Containers to "South" China Ports		205	205	210
KC Rail Yard		183	182	180

Source: USGC



Source: USGC

7. COUNTRY NEWS

Argentina

Some in the trade believe that Argentine corn production could be down 7 million metric tons (MMT) from last September's estimate and exports as low as 6 MMT versus 14.5 MMT last season. Harvest begins in mid-February and export licenses are likely at that time only for a limited volume.

Kenya

The FAS Attaché/Nairobi reports that Kenya's National Cereals and Produce Board may import 5,000 bags (450,000 tons) of corn to alleviate a food shortage. Importantly, it may permit a moisture level greater than 13.5 percent and waive a 50 percent ad-valorem duty, both of which would make the U.S. a more viable supplier of the corn. However, the current government-mandated maximum corn flour price may still make it difficult for millers to cash flow the grain.

8. OCEAN FREIGHT MARKETS AND SPREADS

Ocean Freight Rates For Selected Shipments, Week Ending 1/17/2009

Export region	Import region	Grain types	Loading date	Volume loads (metric tons)	Freight rate (US\$/metric ton)
U.S. Gulf	China	Hvy Grain	Feb 1/10	55,000	23.75
U.S. Gulf	China	Hvy Grain	Jan 5/15	55,000	21.00
U.S. Gulf	China	Hvy Grain	Jan 1/5	55,000	21.00
U.S. Gulf	China	Hvy Grain	Jan 1/5	55,000	21.00
U.S. Gulf	China	Hvy Grain	Dec 24/30	55,000	21.00
U.S. Gulf	China	Hvy Grain	Dec 1/10	55,000	26.50
U.S. Gulf	China	Hvy Grain	Dec 1/10	55,000	27.50
U.S. Gulf	Ethiopia ¹	Wheat	Oct 5/15	34,180	129.96
U.S. Gulf	Egypt Mediterranean	Hvy Grain	Jan 14/18	60,000	12.15
U.S. Gulf	Rotterdam	Hvy Grain	Oct 7/10	60,000	32.50

*Rates shown are for metric ton (2,204.62 lbs. = 1 metric ton), F.O.B., except where otherwise indicates; op = option
Source: Maritime Research Inc. (www.maritime-research.com)*

9. OCEAN FREIGHT COMMENTS

Total Grain Inspections Rebound

For the week ending January 15, total grain inspections at all major U.S. ports totaled 1.70 million metric tons (mmt), up 7.4 percent from the previous week but down 31 percent from last year. Grain inspections rebounded in the Pacific Northwest (.494 mmt) and Mississippi Gulf (1.20 mmt) due to increased demand from Asia. Total inspections of corn (.626 mmt) and soybeans (.888 mmt) from all major ports increased 39 and 45 percent from the previous week.

Ocean freight rates experienced extreme highs and lows in 2008

Unprecedented demand for bulk ocean freight service globally sent already high rates in 2007 soaring during the first half of 2008. Rates for shipments from the U.S. Gulf to Japan reached more than \$140 per metric ton and \$80 per metric ton for shipments from the Pacific Northwest to Japan. High bulk ocean freight rates and strong demand for U.S. products encouraged grain exporters to use the relatively cheaper containerized transportation to take advantage of the competitive costs, resulting in containerized grain volumes reaching record levels in 2008.

However, rates for containerized shipments were also on the rise, and by July rates rose more than 80 percent to near \$55 per metric ton. During the year ending October 2008, exports to Asia reached a record 475,000 twenty-foot equivalent units (TEU s).

As fall approached, the U.S. dollar was strengthening and the global economic slowdown began to settle in, pushing ocean freight rates lower. In August, bulk ocean freight rates began a sharp decline. By December, rates fell to record lows, near \$13 per metric ton from the Pacific North west to Japan and \$23 per metric ton from the U.S. Gulf to Japan. At a slower pace than bulk rates, container rates also fell to near \$40 per metric ton, 25 percent lower than the peak high.

The drop in bulk ocean freight rates and the relatively slower decline in container rates returned many traditional bulk grain exporters back to bulk transportation. As a result, monthly containerized grain shipments in December fell by more than 20,000 TEUs.

U.S. Grain Exports Down Due to Recovering World Crop Production in 2008

The 2008 inspections of corn, wheat, and soybeans for export from all ocean port regions totaled 99 million metric tons (mmt), according to USDA's Grain Inspection, Packers and Stockyards Administration. This is 4 percent below the previous year, but almost 1 percent higher than the 3-year average. Although wheat and corn exports decreased from the previous year by about 9 percent each, soybean inspections increased by 13 percent. Soybean inspections were especially strong during the fourth quarter as demand from China increased. Inspections were above the 2007 levels and the 3 year averages from January through mid April, but were below 2007 from April through December due in part to increased world grain production. USDA projections indicate continued increased global grain and oilseed supplies and decreased use.

10. INTEREST RATES

Interest Rates: 22 January 2009		
	Percent Rate	Last Month
U.S. Prime	3.25	3.25
LIBOR (6 Mo.)	1.55	1.85
LIBOR (1 Year)	1.89	2.09

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