



2010 Market Outlook Corn and Soybeans

Wisconsin Corn/Soybean Expo
Wisconsin Dells, Wisconsin
January 28, 2010

Darin Newsom
Telvent DTN Senior Analyst

Introduction

- ***Grain Markets Driven By a Variety of Factors***
- ***Outside Markets***
 - **Strong Tie to Financial Markets**
 - ▶ DJIA and Commodities
 - ▶ US Dollar Index and Commodities
- ***Weather***
 - **Wet spring in the Midwest**
 - ▶ Adds fuel to the coming acreage debate
 - **South American weather**
 - ▶ Record crops projected for both Brazil and Argentina
- ***Bearish supply and demand situations***

How Markets Relate

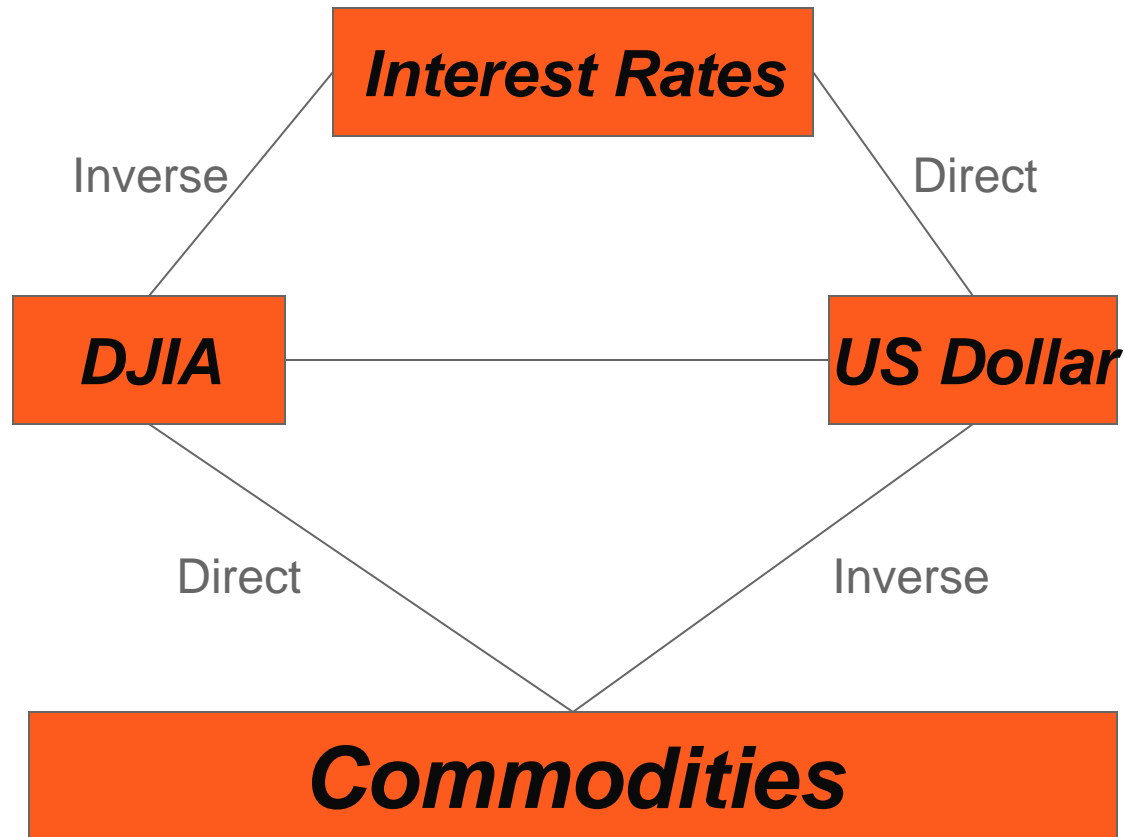
Interest Rates

DJIA

US Dollar

Commodities

How Markets Relate

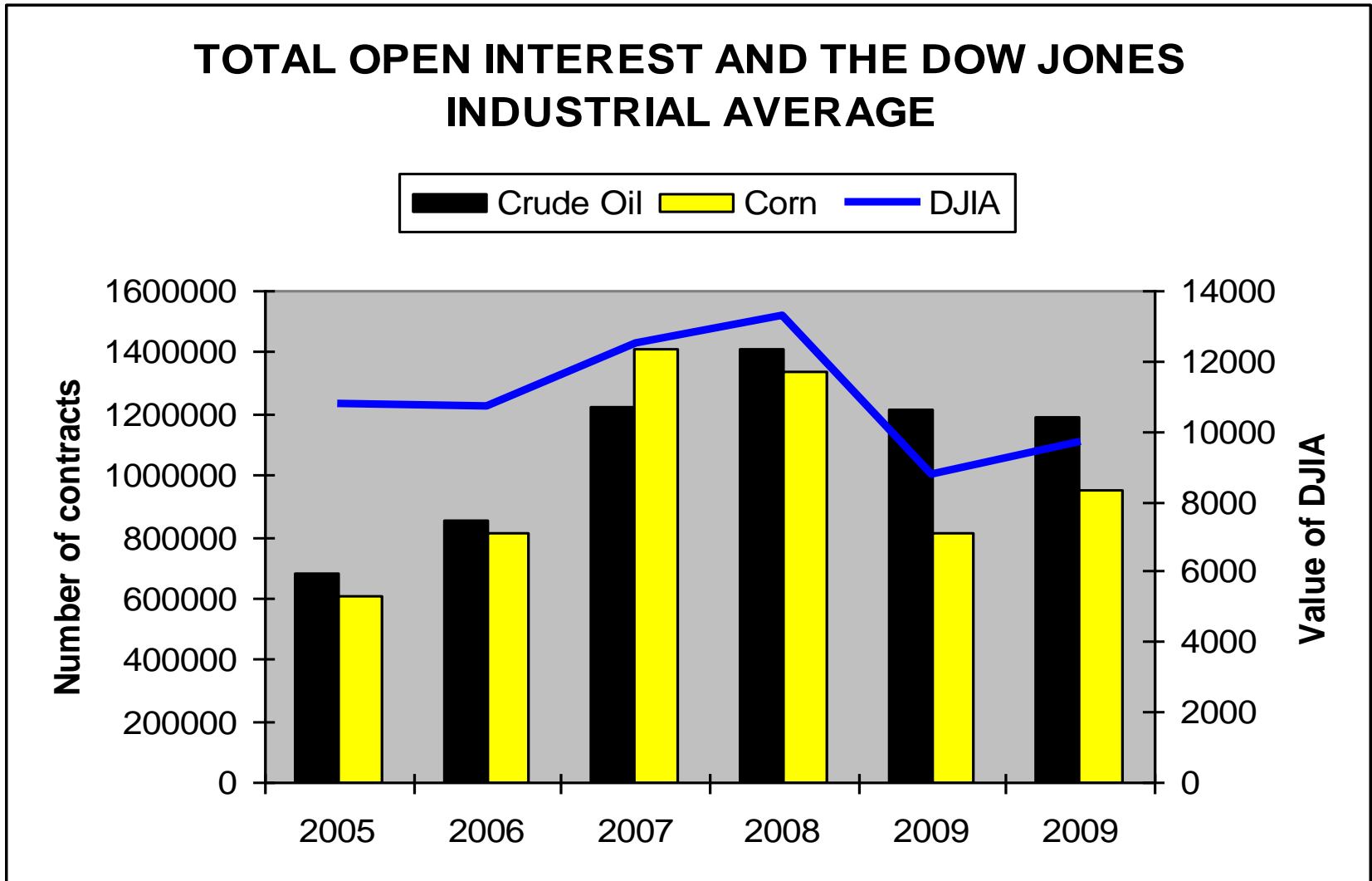


Market segments have grown closer together

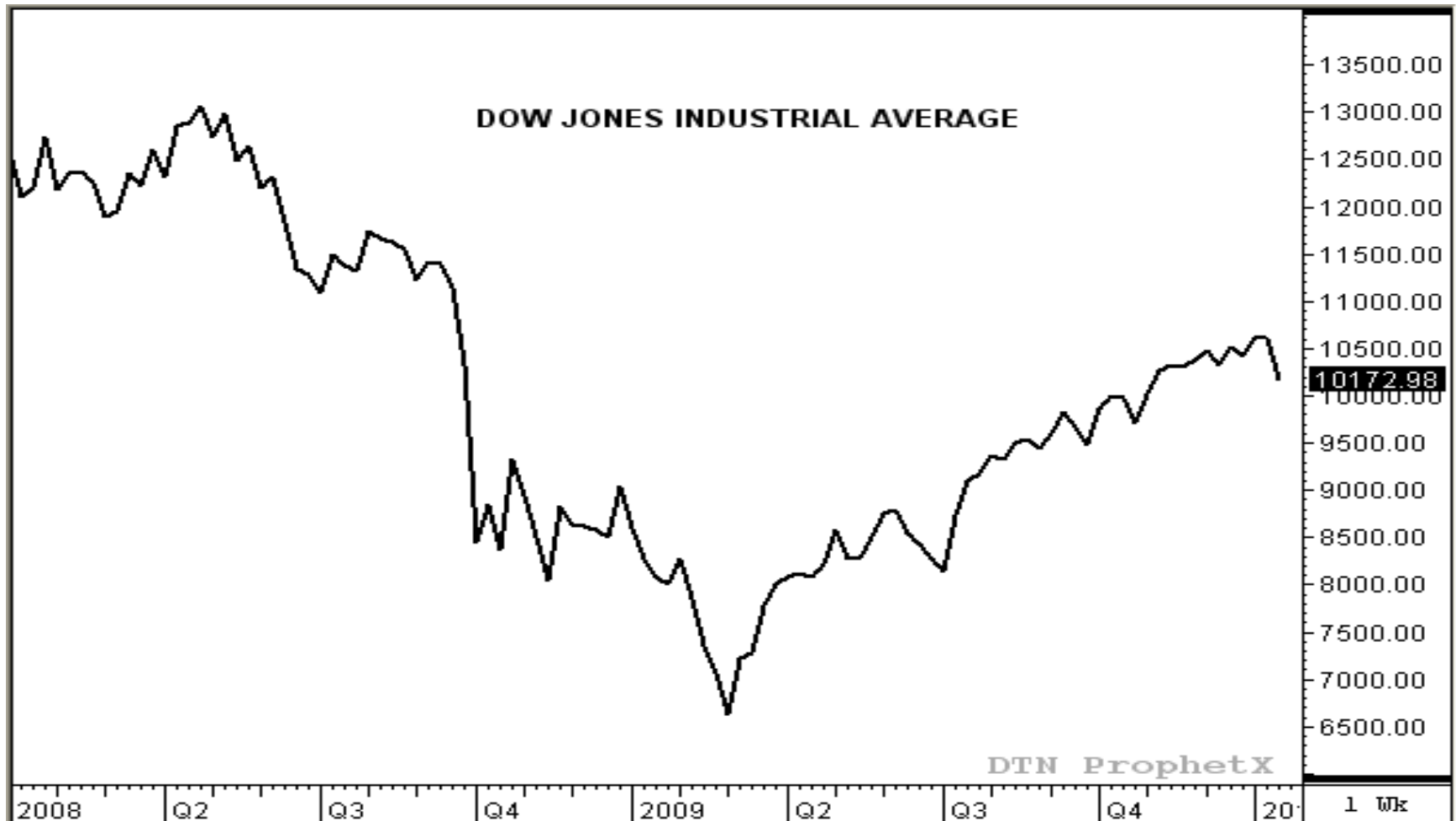
- ***Dow Jones and RJ CRB Index:***
- ***1999-2007 Correlation = 56 percent***
- ***2008 Correlation = 86 percent***
- ***2009 Correlation = 96 percent***

- ***US Dollar Index and RJ CRB Index:***
- ***2009 Correlation = (-99) percent***

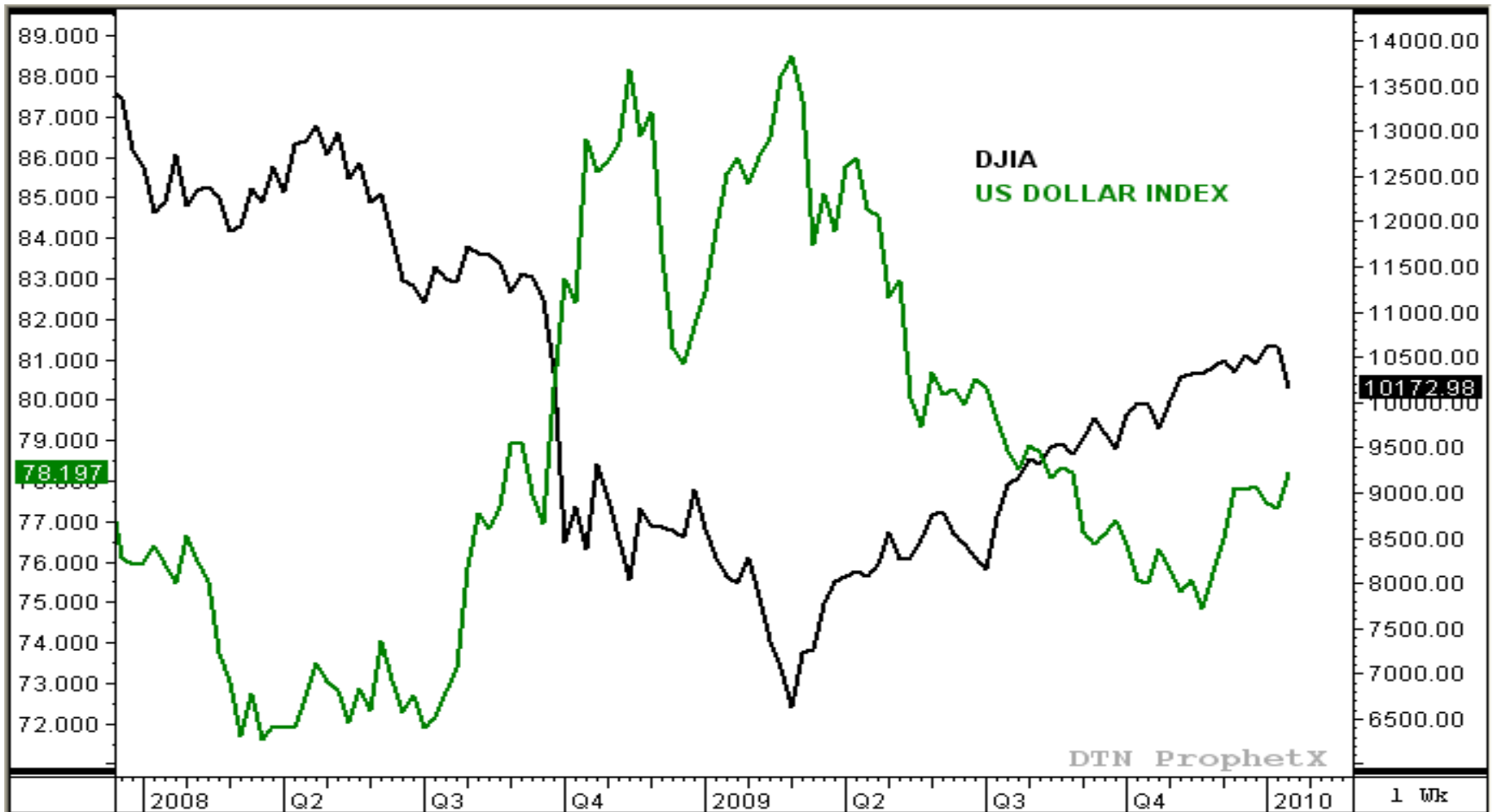
Money Tied to the DJIA



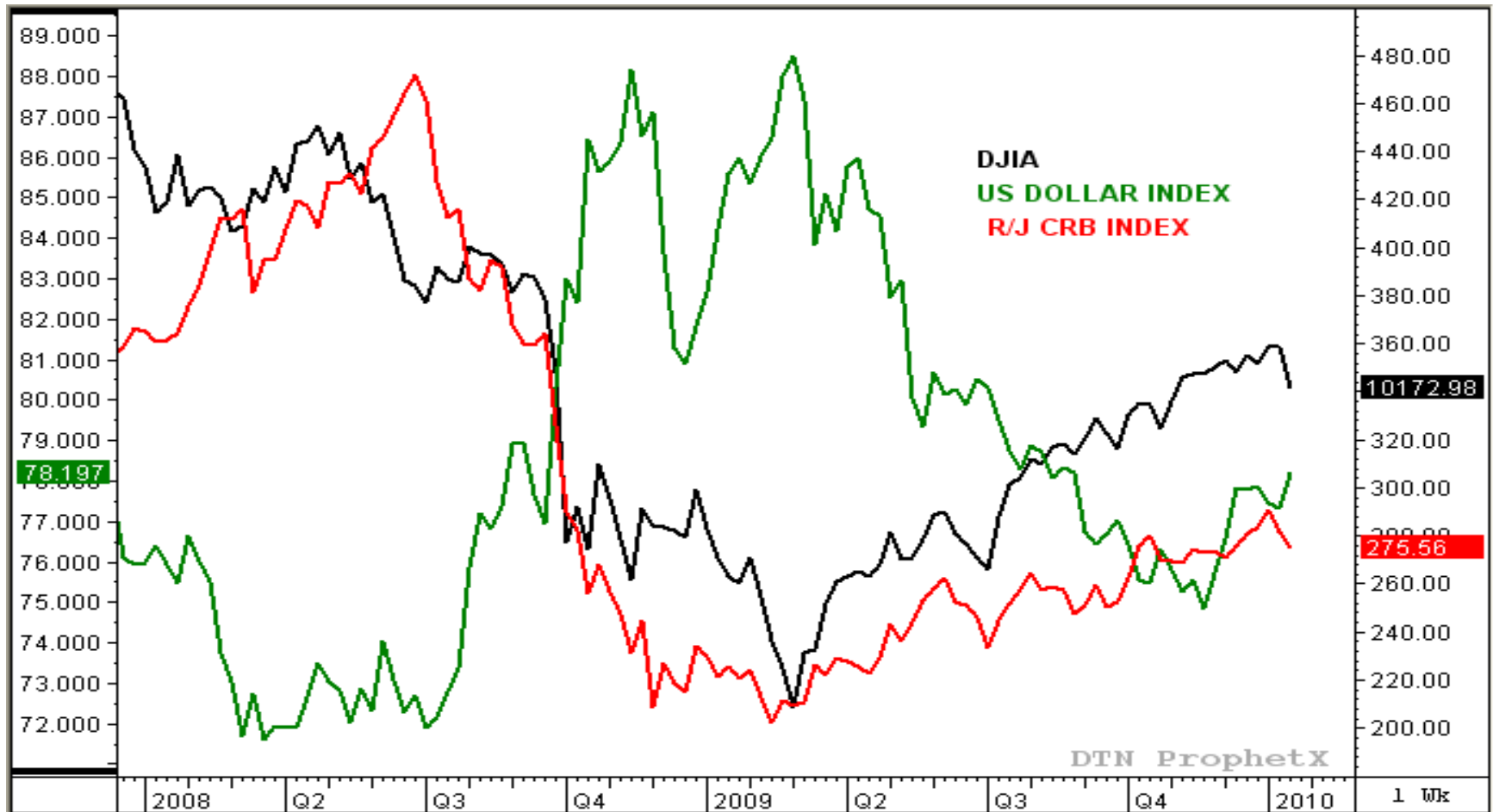
The Dow, The Dollar, and Commodities



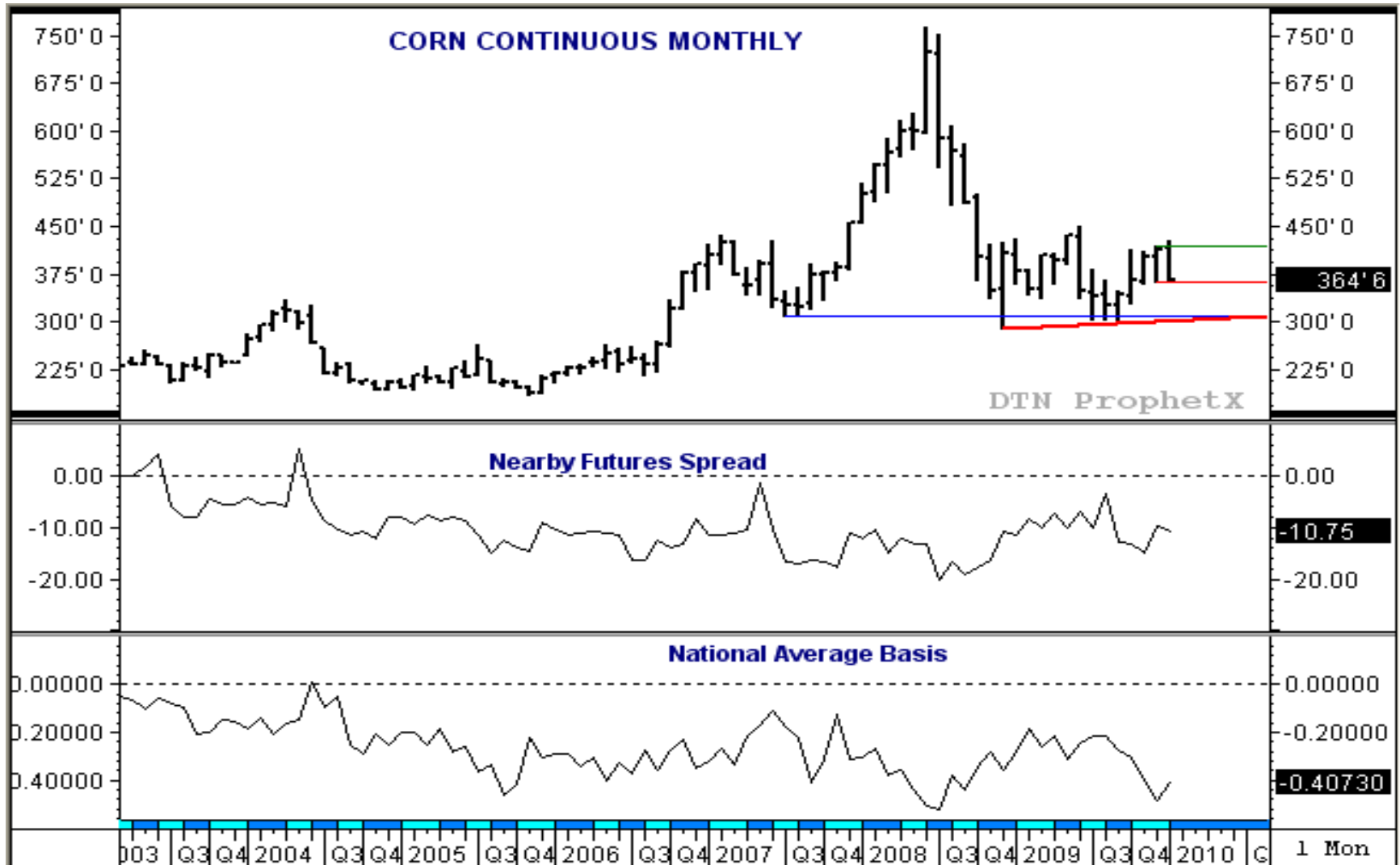
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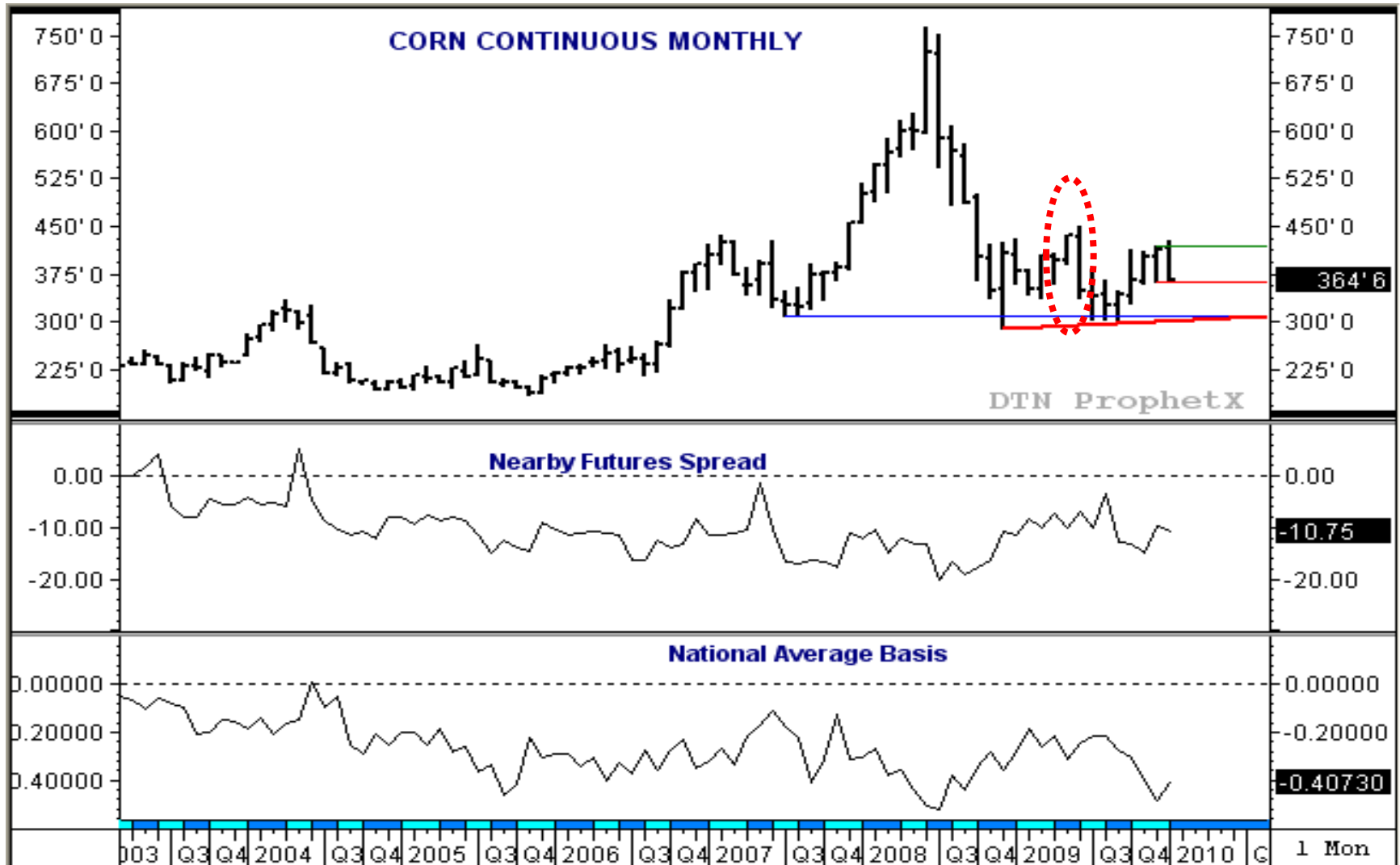
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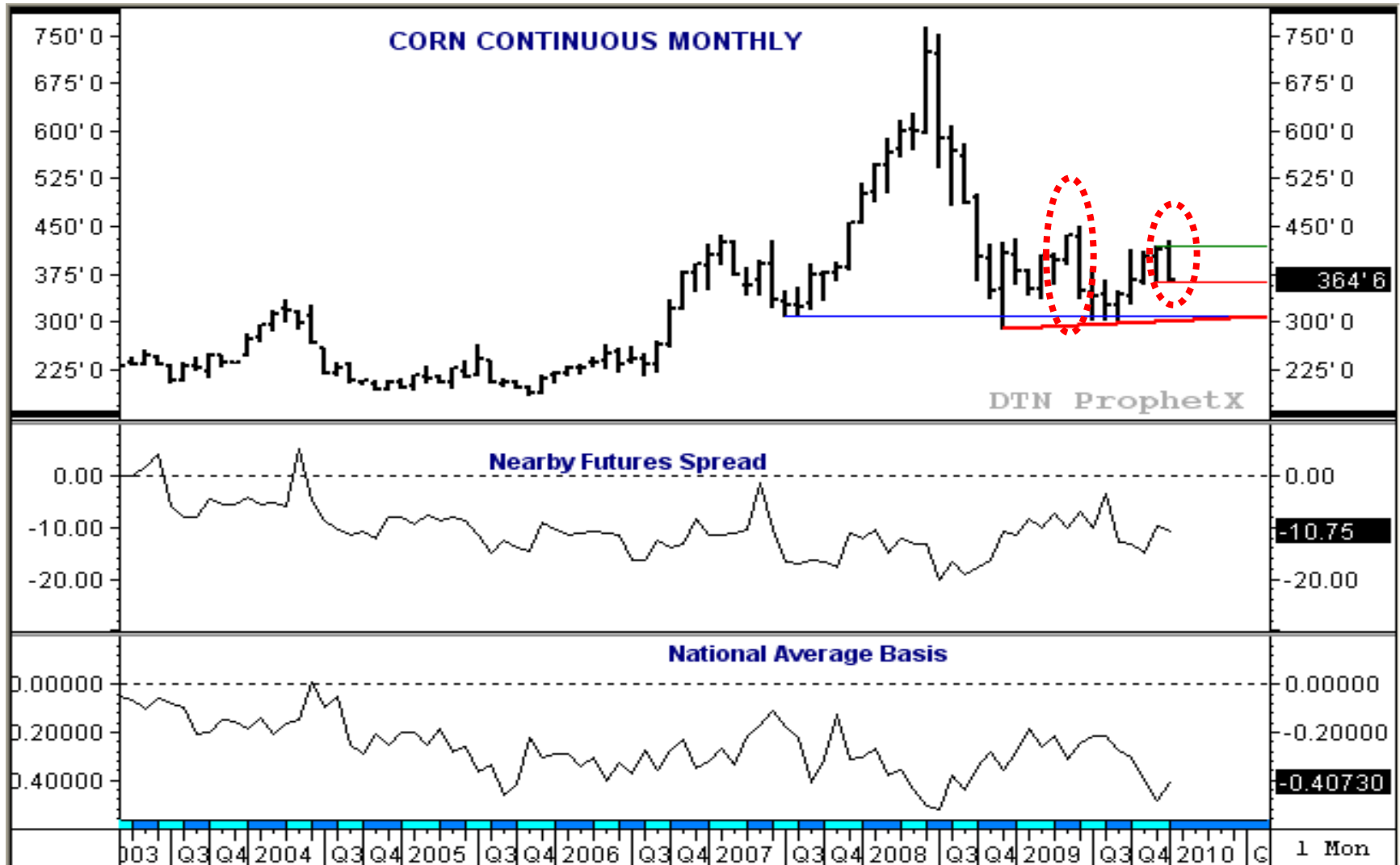
Corn: Futures, Spreads, and Basis



Corn: Futures, Spreads, and Basis

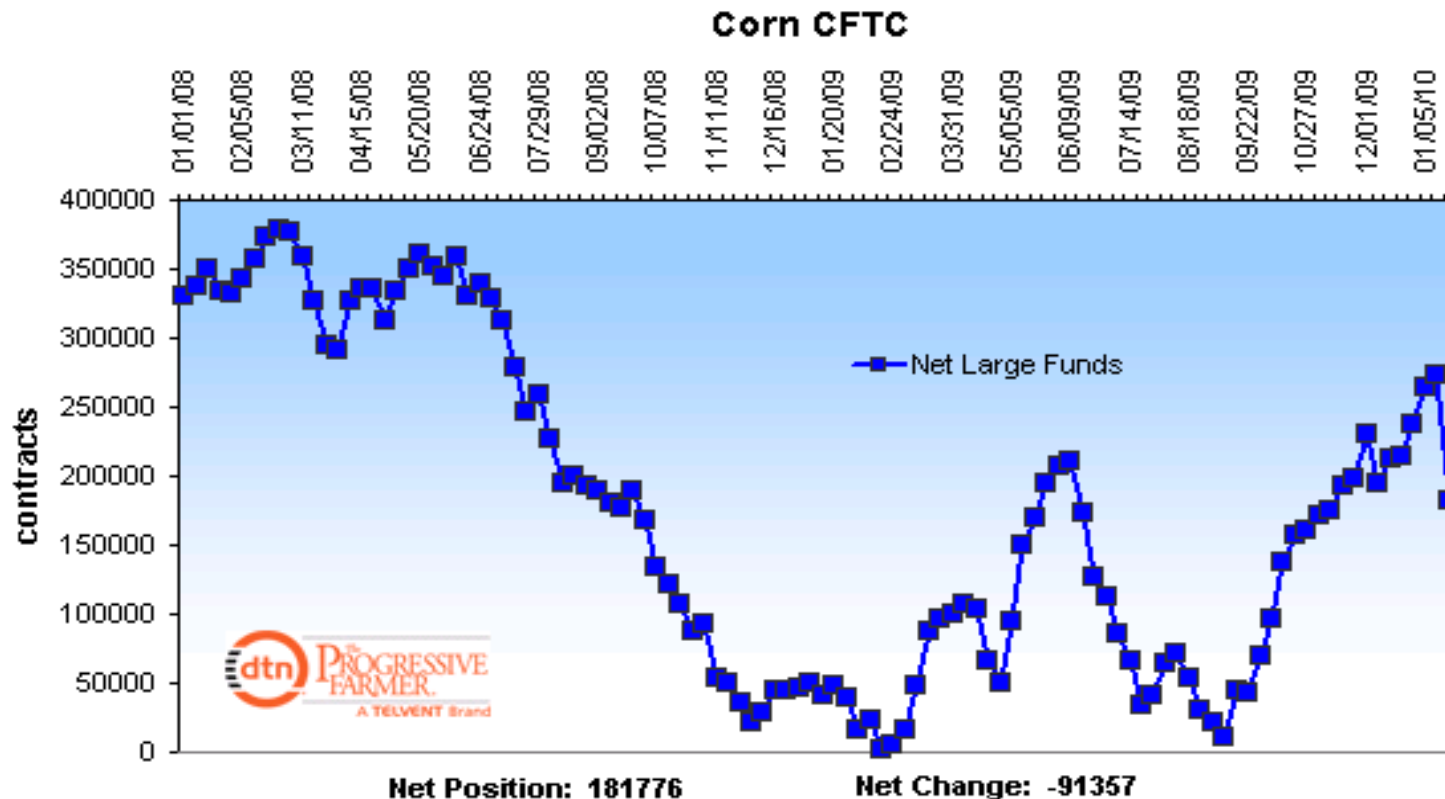


Corn: Futures, Spreads, and Basis



Corn: Noncommercial Positions

CFTC: Noncommercial traders held a net-long futures position of about 181,800 contracts as of January 19, a decrease of about 91,400 contracts from the previous week.



Corn: U.S. Supply and Demand

US Supply/Demand Estimates 01/12

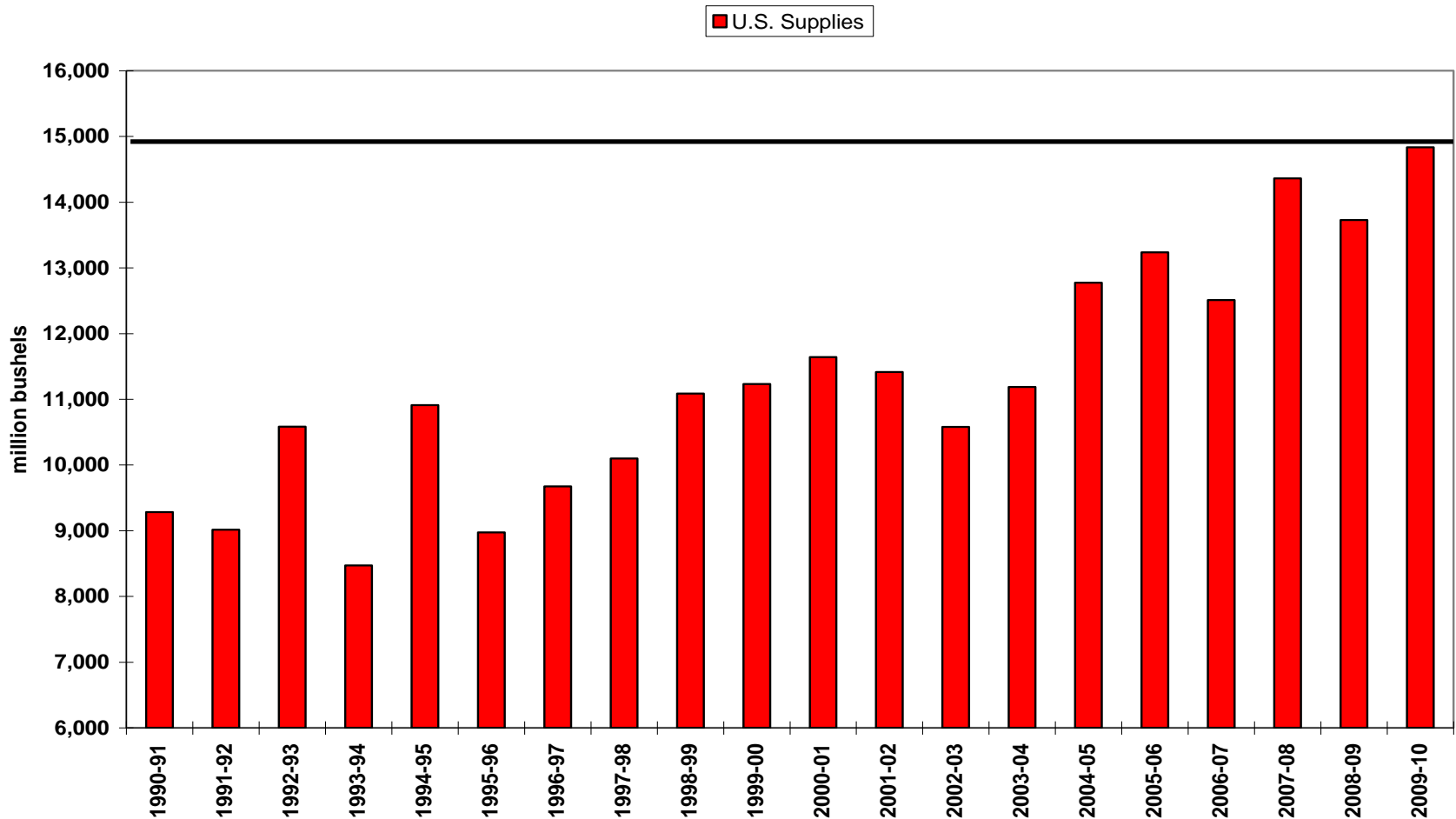
Million Bushels

| Crop Year | -----Corn----- | | | -----Soybeans----- | | | -----Wheat----- | | |
|---------------|----------------|--------|--------|--------------------|--------|--------|-----------------|--------|--------|
| | 08-09 | 09-10 | 09-10 | 08-09 | 09-10 | 09-10 | 08-09 | 09-10 | 09-10 |
| Report Date | 01/12 | 12/10 | 01/12 | 01/12 | 12/10 | 01/12 | 01/12 | 12/10 | 01/12 |
| Carryin | 1,624 | 1,674 | 1,673 | 205 | 138 | 138 | 306 | 657 | 657 |
| Production | 12,092 | 12,921 | 13,151 | 2,967 | 3,319 | 3,361 | 2,499 | 2,216 | 2,216 |
| Imports | 14 | 10 | 10 | 13 | 8 | 8 | 127 | 110 | 110 |
| Total Supply | 13,729 | 14,605 | 14,834 | 3,185 | 3,465 | 3,507 | 2,932 | 2,983 | 2,983 |
| Feed | 5,246 | 5,400 | 5,550 | | | | 258 | 190 | 170 |
| Crush/mill* | 1,246 | 1,250 | 1,240 | 1,662 | 1,695 | 1,710 | 927 | 940 | 940 |
| Ethanol Prod. | 3,677 | 4,200 | 4,200 | | | | | | |
| Seed/other | 30 | 30 | 30 | 101 | 175 | 177 | 75 | 78 | 72 |
| Exports | 1,858 | 2,050 | 2,050 | 1,283 | 1,340 | 1,375 | 1,015 | 875 | 825 |
| Total Use | 12,056 | 12,930 | 13,070 | 3,047 | 3,210 | 3,262 | 2,275 | 2,083 | 2,007 |
| Carryout | 1,673 | 1,675 | 1,764 | 138 | 255 | 245 | 657 | 900 | 976 |
| Stocks/Use Ra | 14% | 13% | 13% | 5% | 8% | 8% | 29% | 43% | 49% |
| Avg Price | \$4.06 | \$3.55 | \$3.70 | \$9.97 | \$9.50 | \$9.65 | \$6.78 | \$4.85 | \$4.85 |

*Excludes corn for ethanol

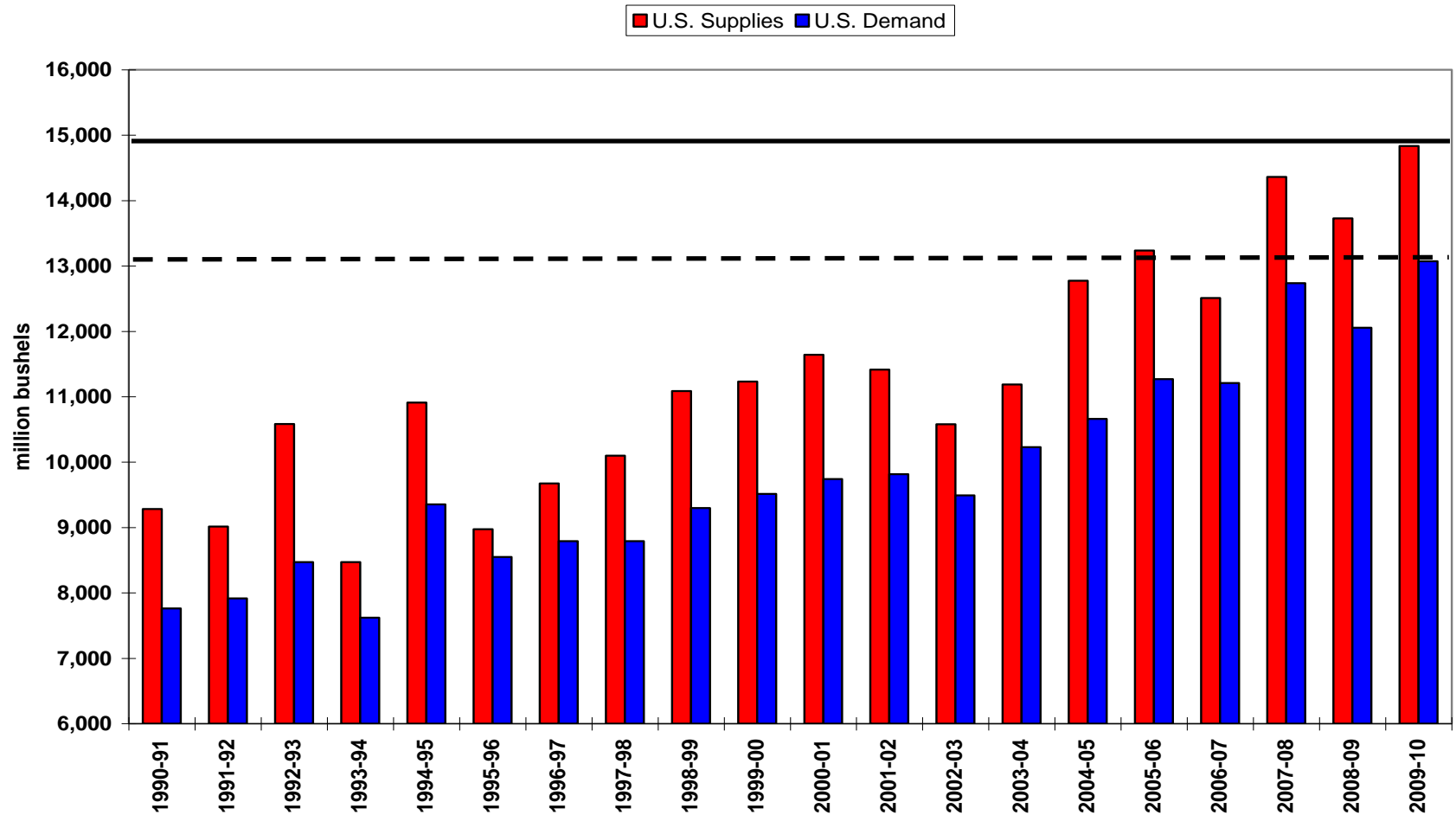
US Corn Supply and Demand

U.S. Supply/Demand and Stocks to Use



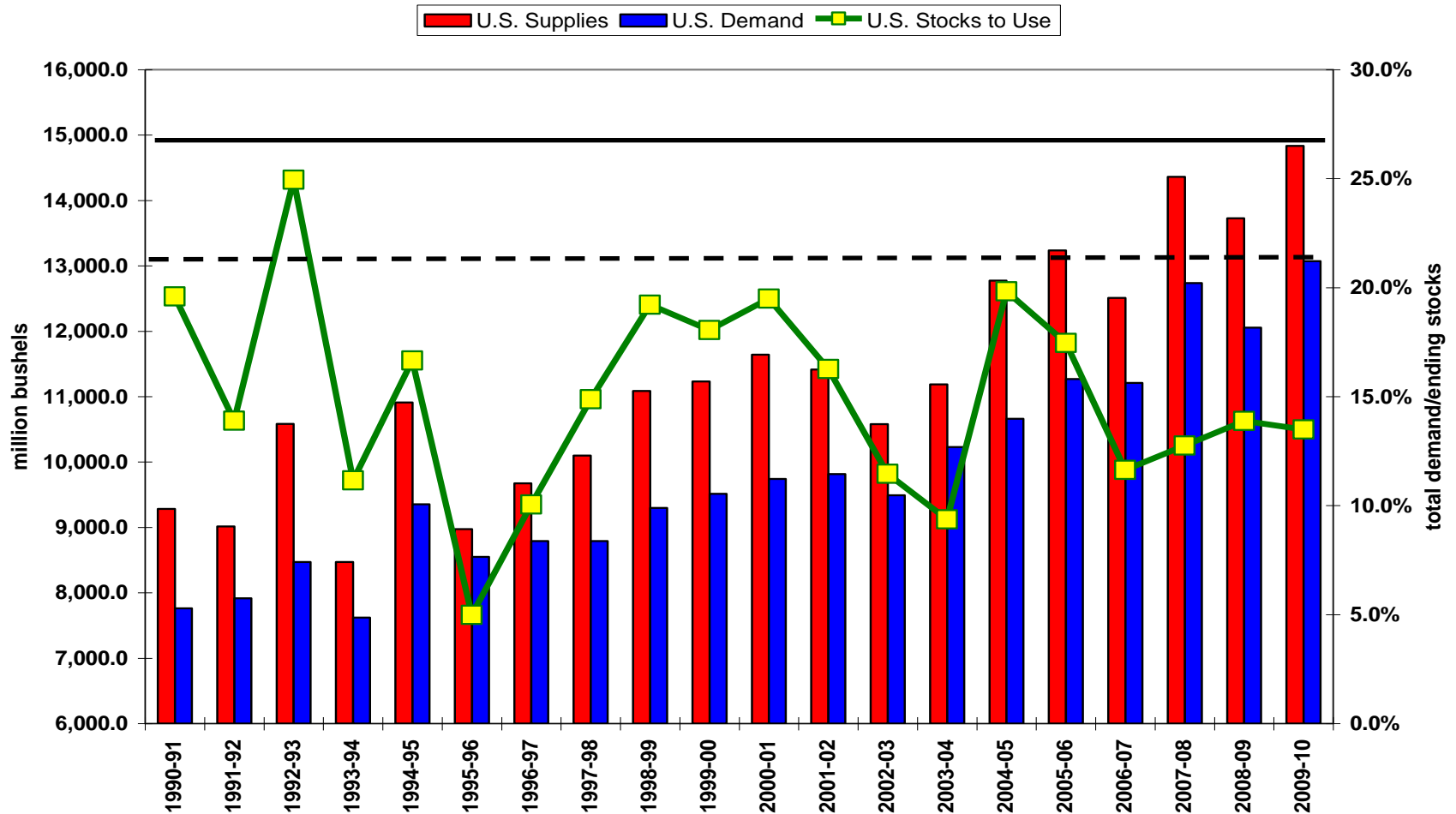
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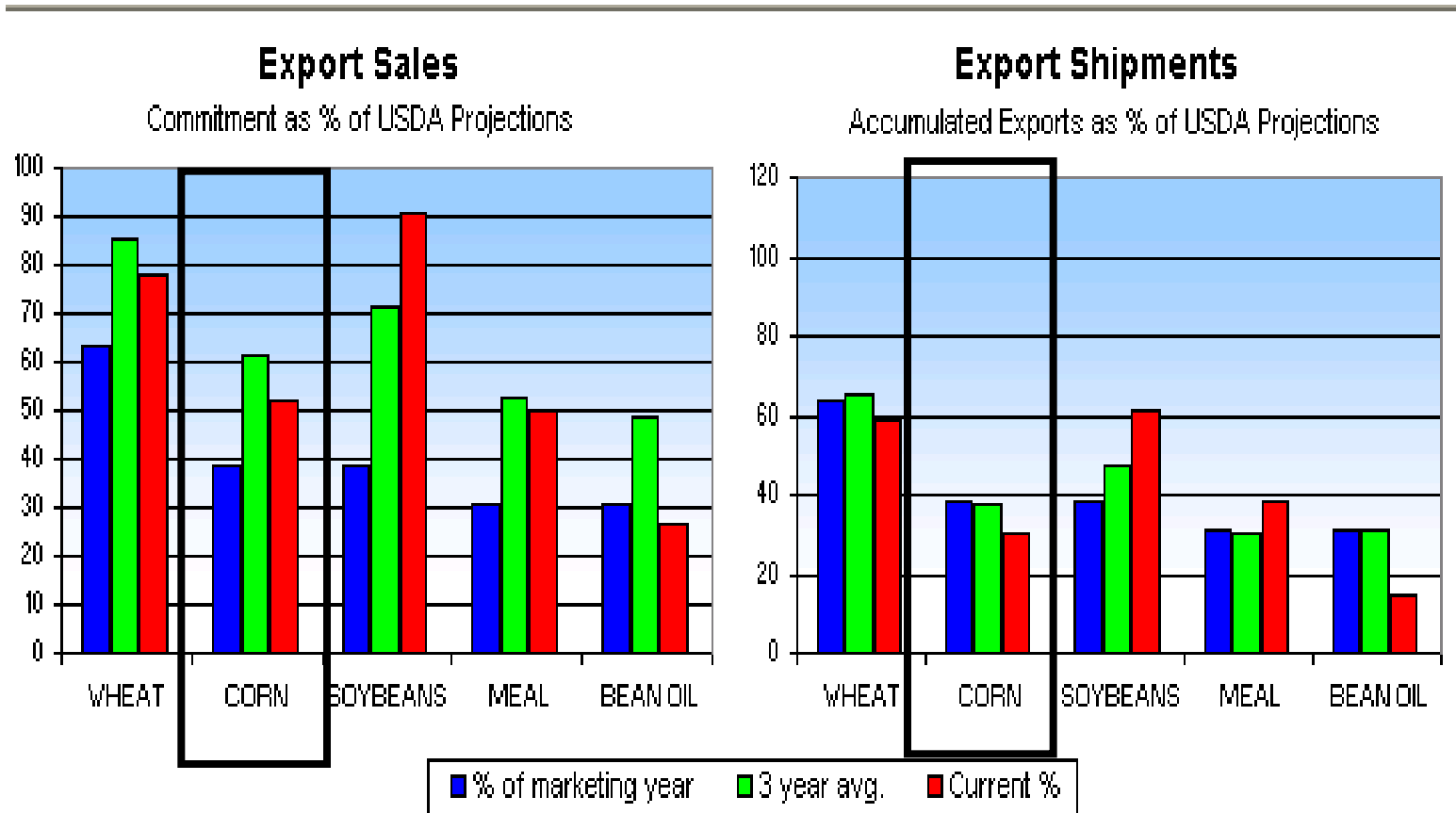
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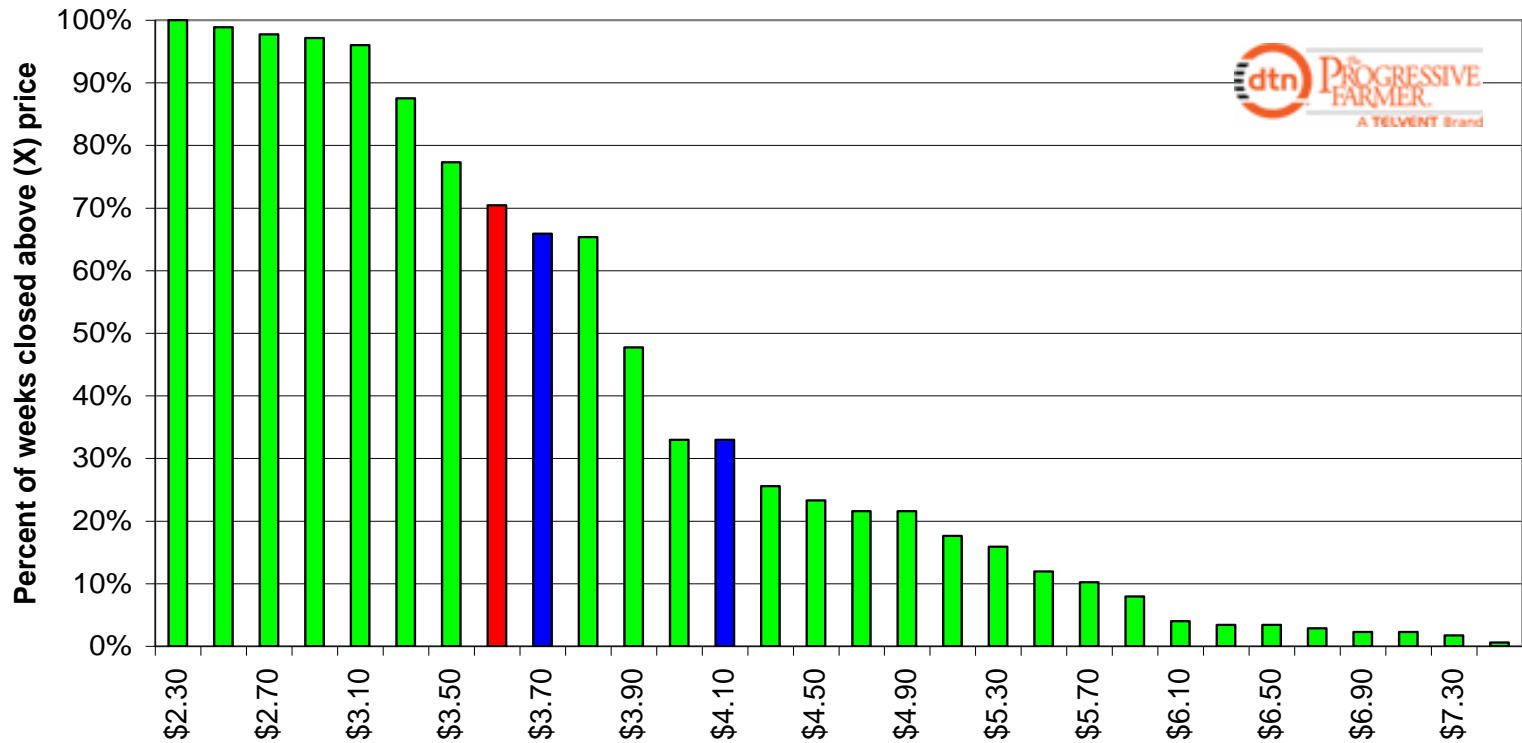
US Corn Export Demand



Week Ending 01/14/10

US Corn Historic Price Range

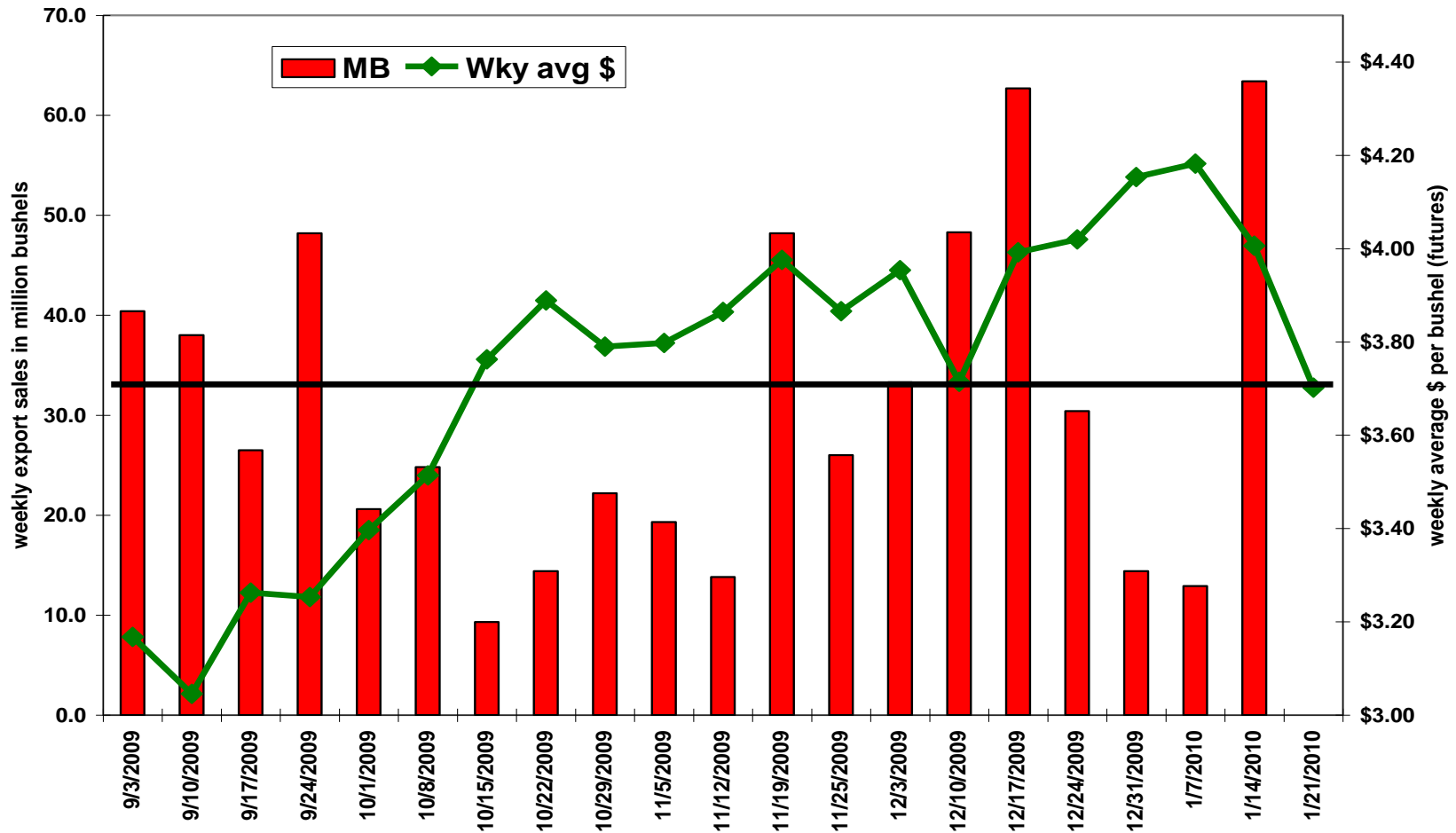
CORN PRICE DISTRIBUTION RANGE SINCE 2006-2007 MARKETING YEAR



This chart illustrates the percentage of time futures trade below given price levels. The red line indicates the front-month futures contract. The blue lines mark the upper and lower 33 percent levels, or in other words the price levels the front-month futures contract closed at or below/above only 33 percent of the time on a weekly basis.

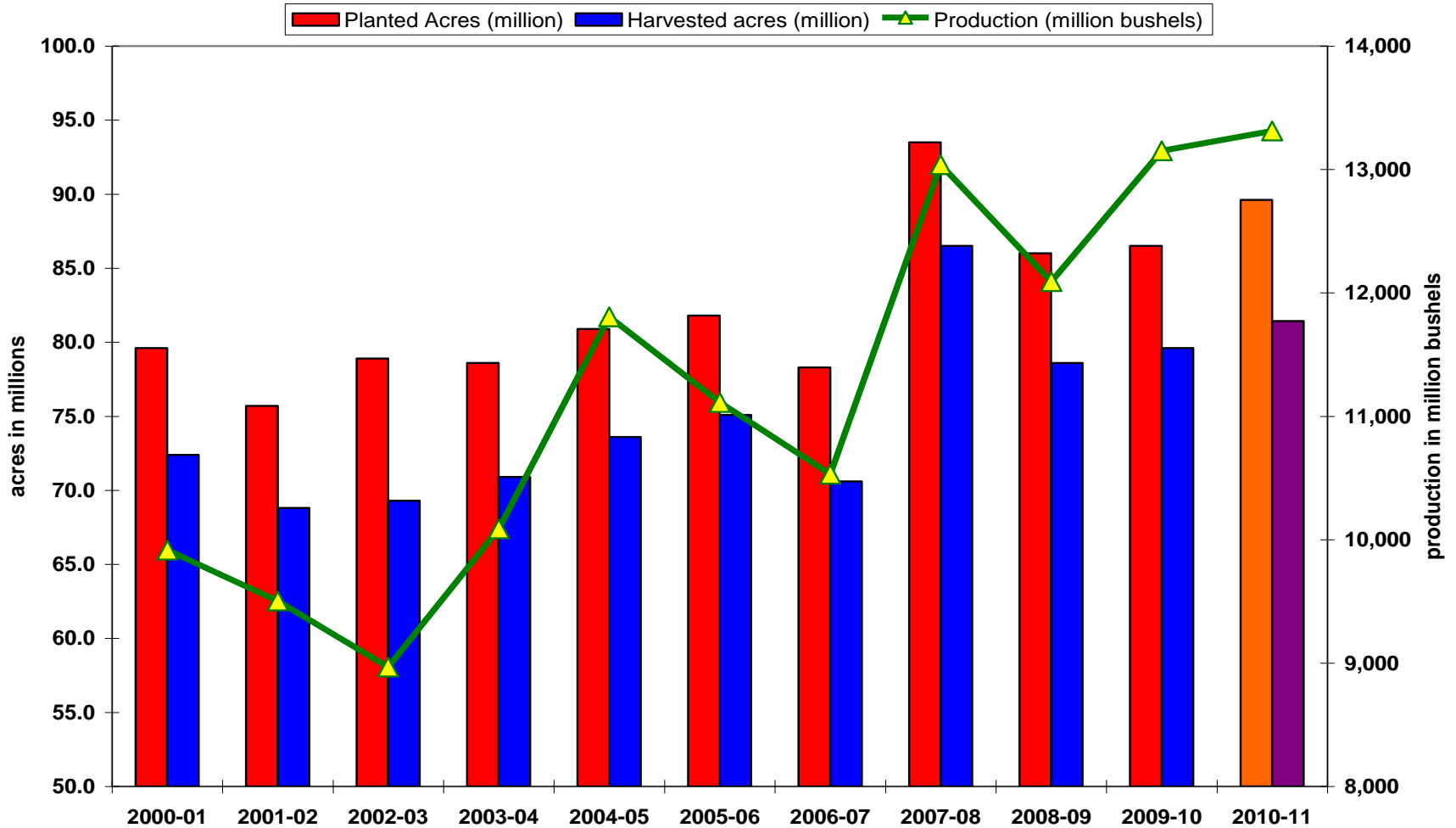
US Corn Export Demand and Price

WEEKLY CORN EXPORT SALES



Early Projection on Corn Acreage and Production

US CORN ACREAGE AND PRODUCTION

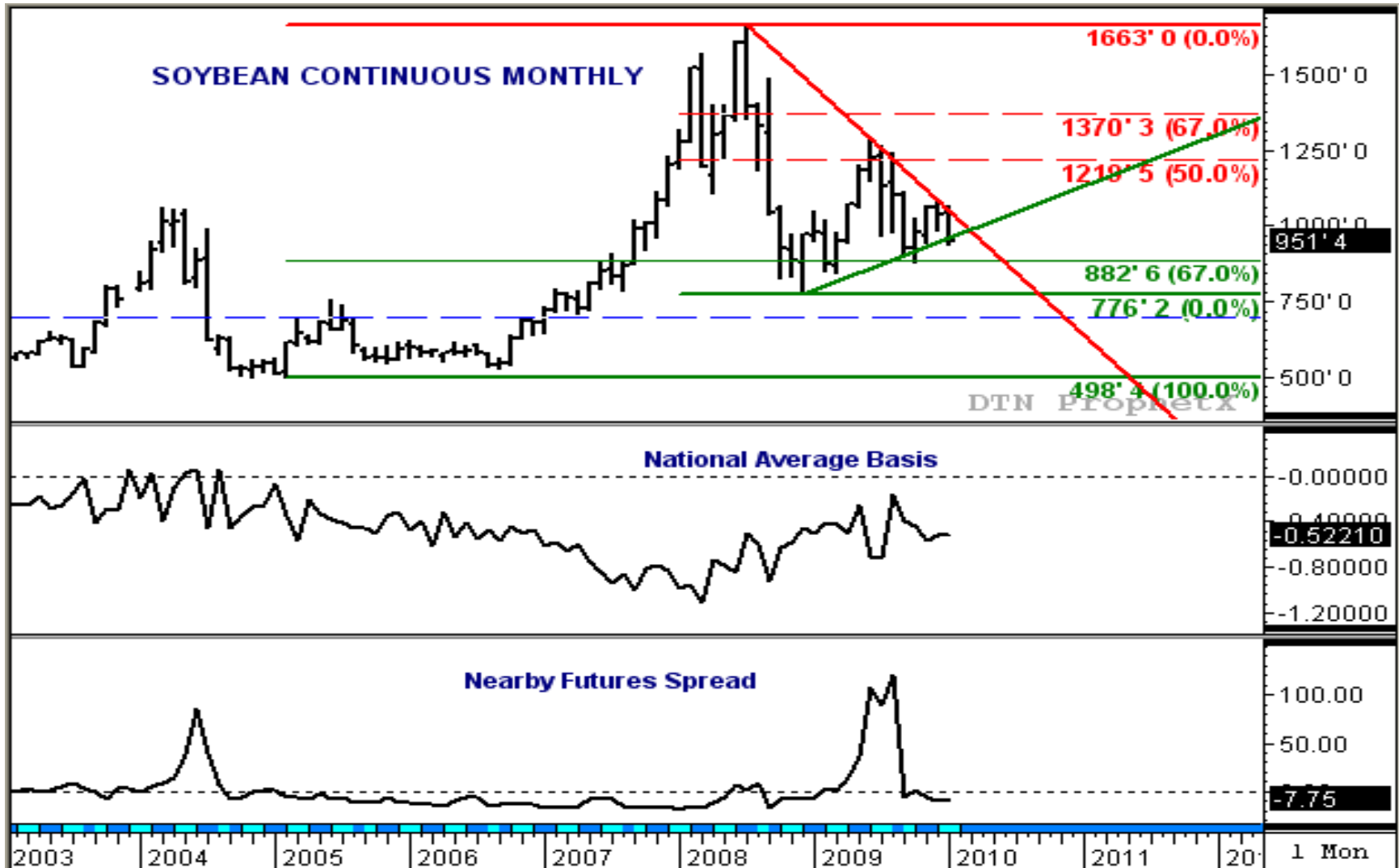


CORN OUTLOOK

- **2009-10 Outlook:** The corn market has a bearish structure. The strengthening carry in the futures spreads over the course of 2009-10 contracts indicates bearish underlying fundamentals. Longer-term the trend still looks as if it wants to test the low end of price distribution range in the low \$3.00's, particularly if demand continues to slow.

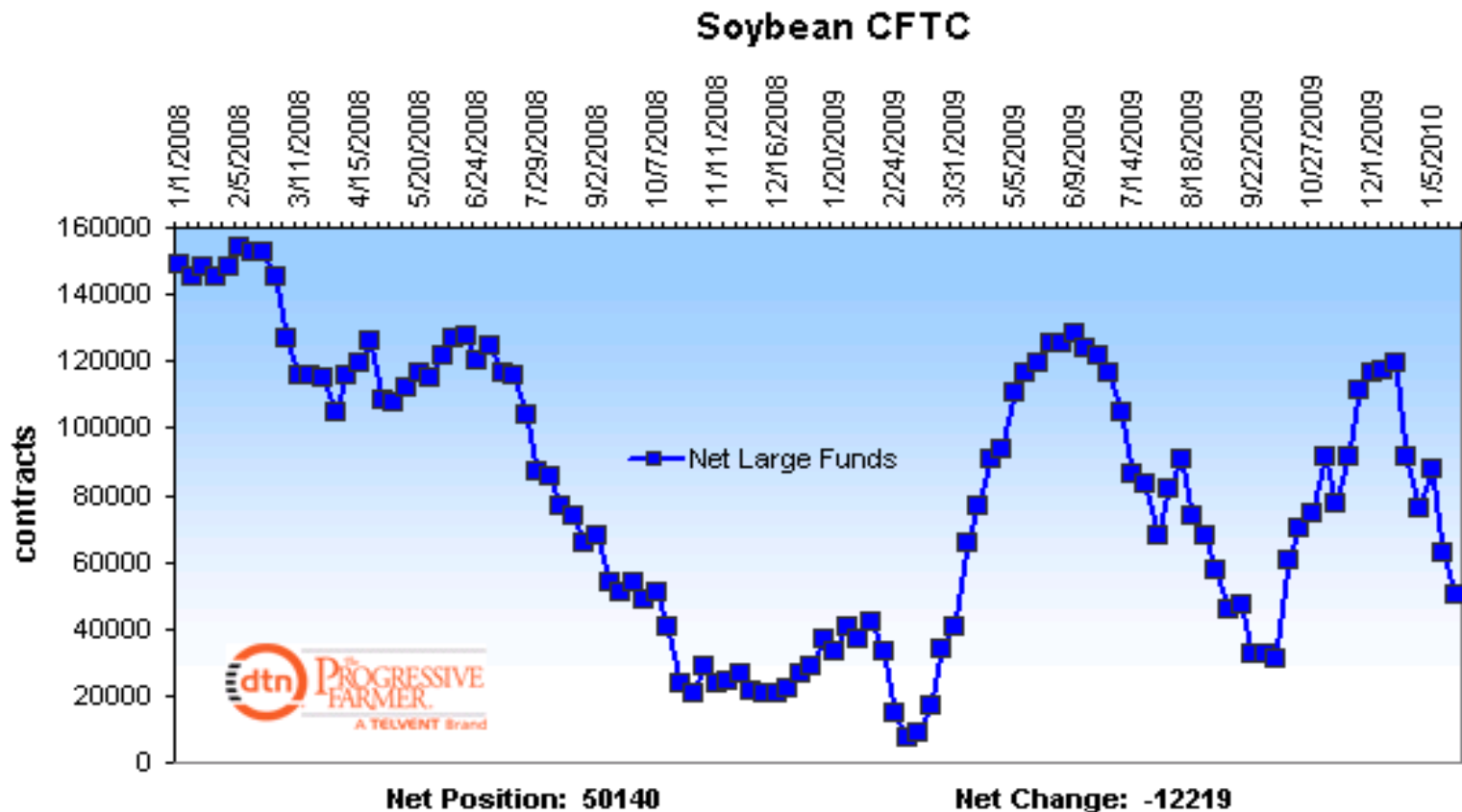
- **Issues:**
 - Condition of crop in still in field, on farm storage
 - Slow export demand
 - Acreage debate

Beans: Futures, Basis, and Spreads



Beans: Noncommercial Positions

CFTC: Noncommercial traders held a net-long futures position of about 50,100 contracts as of January 19, a decrease of about 12,200 contracts from the previous week.





Soybean: U.S. Supply and Demand

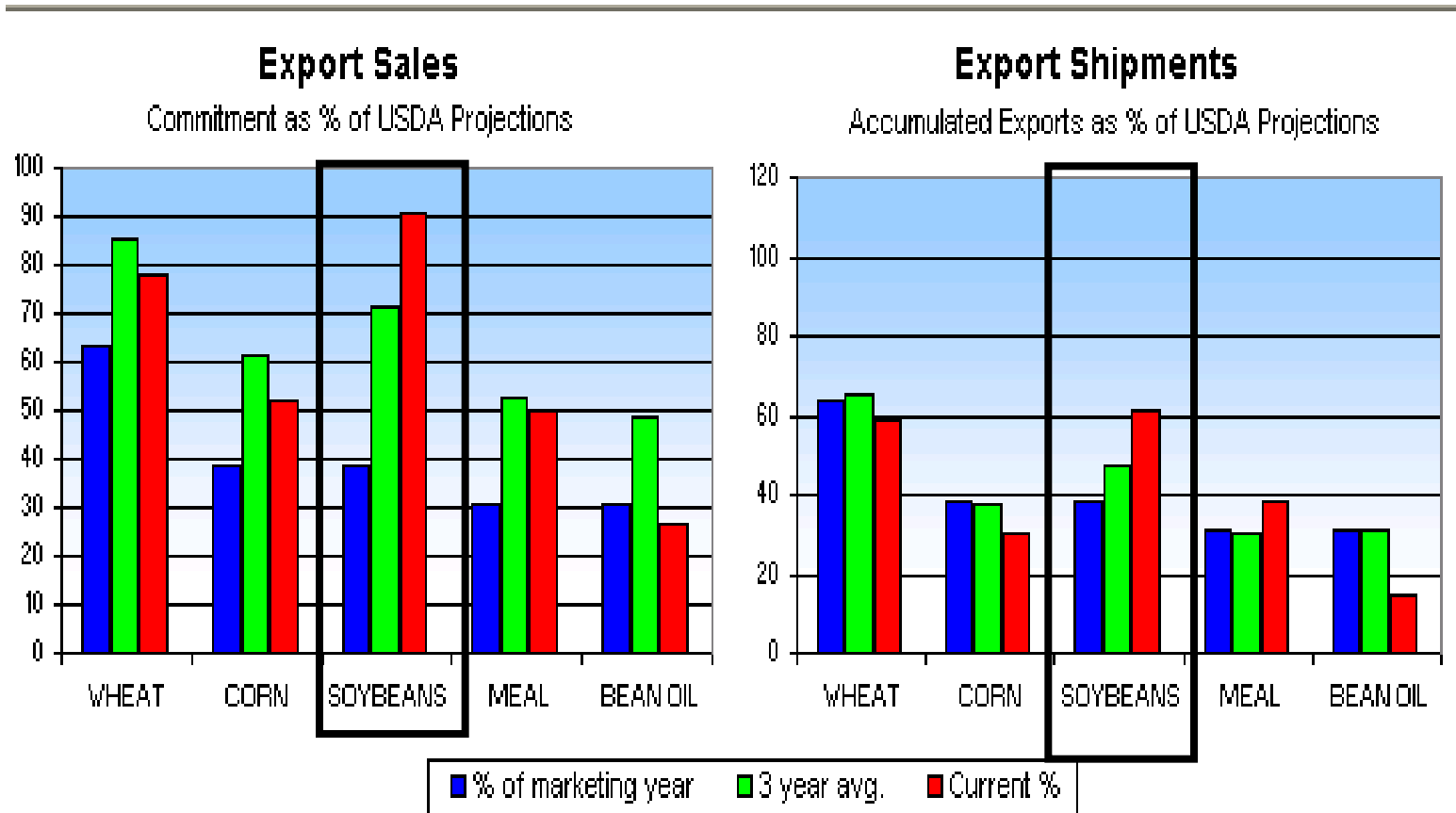
US Supply/Demand Estimates 01/12

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US Soybean Export Demand



Week Ending 01/14/10



Soybeans: World Supply and Demand

World S&D Summary 01/12/10

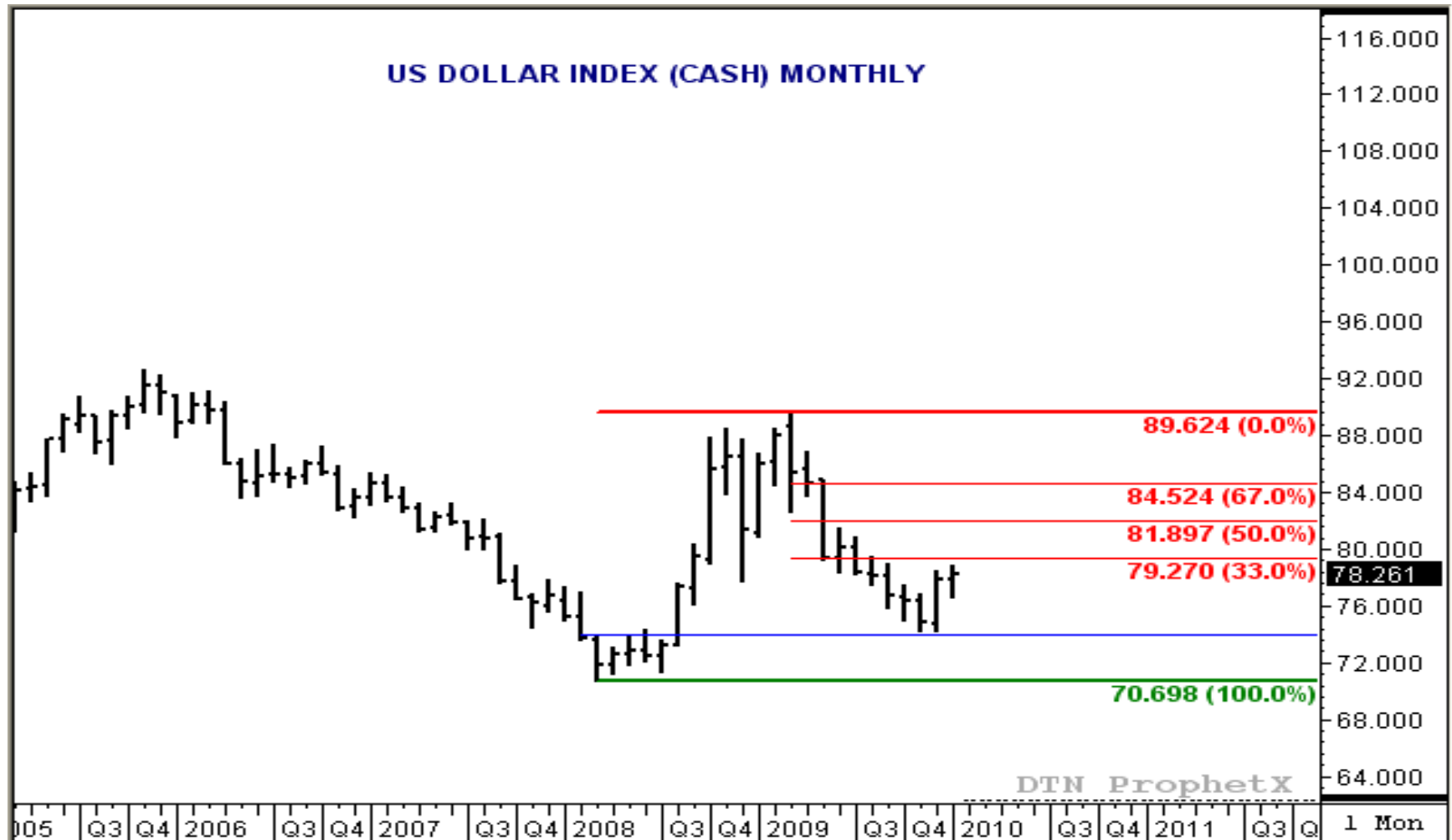
Million metric tons

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| Report Date | 01/12 | 12/10 | 01/12 | 01/12 | 12/10 | 01/12 | 01/12 | 12/10 | 01/12 |
| CARRYIN | 129.61 | 145.44 | 145.97 | 52.95 | 42.41 | 42.87 | 121.07 | 163.75 | 163.94 |
| PRODUCTION | 791.62 | 790.17 | 796.45 | 210.86 | 250.25 | 253.38 | 682.68 | 673.86 | 676.13 |
| TOTAL SUPPLY | 921.23 | 935.61 | 942.42 | 263.81 | 292.66 | 296.25 | 803.75 | 837.61 | 840.07 |
| FEED | 479.18 | 489.41 | 492.52 | | | | 112.70 | 111.15 | 110.61 |
| CRUSH | | | | 192.88 | 202.95 | 203.86 | | | |
| OTHER | 296.07 | 313.86 | 313.71 | 27.79 | 30.80 | 30.89 | 527.11 | 535.56 | 533.86 |
| TOTAL USE | 775.25 | 803.27 | 806.23 | 220.67 | 233.75 | 234.75 | 639.81 | 646.71 | 644.47 |
| END CARRYOUT | 145.97 | 132.34 | 136.19 | 42.87 | 57.09 | 59.80 | 163.94 | 190.91 | 195.60 |
| STOCKS/USE RA | 19% | 16% | 17% | 19% | 24% | 25% | 26% | 30% | 30% |

WORLD PRODUCTION (million metric tons)

| | 2009-2010 | | 2008-2009 | |
|--------------------|-----------|------|-----------|------|
| | Jan. | Dec. | Jan. | Dec. |
| Brazil soybeans | 65.0 | 63.0 | 57.0 | 57.0 |
| Argentine soybeans | 53.0 | 53.0 | 32.0 | 32.0 |
| Brazil corn | 51.0 | 51.0 | 51.0 | 51.0 |
| Argentina corn | 15.0 | 14.0 | 12.6 | 12.6 |
| Australia wheat | 22.5 | 22.5 | 20.9 | 20.9 |
| Canada wheat | 26.5 | 26.5 | 28.6 | 28.6 |

US Dollar Index: Poised to Rally?

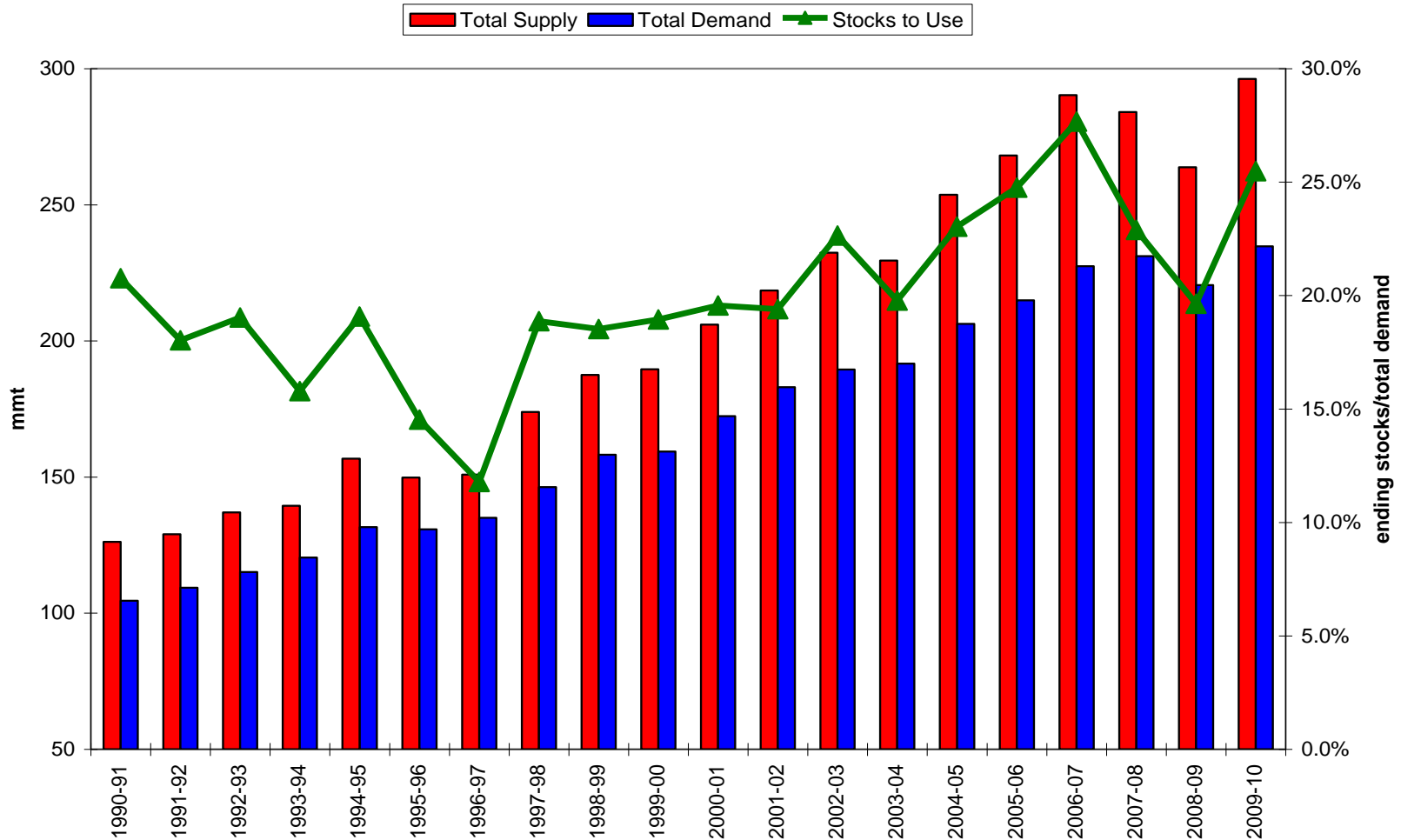


Brazilian Real: Weakening to the US\$



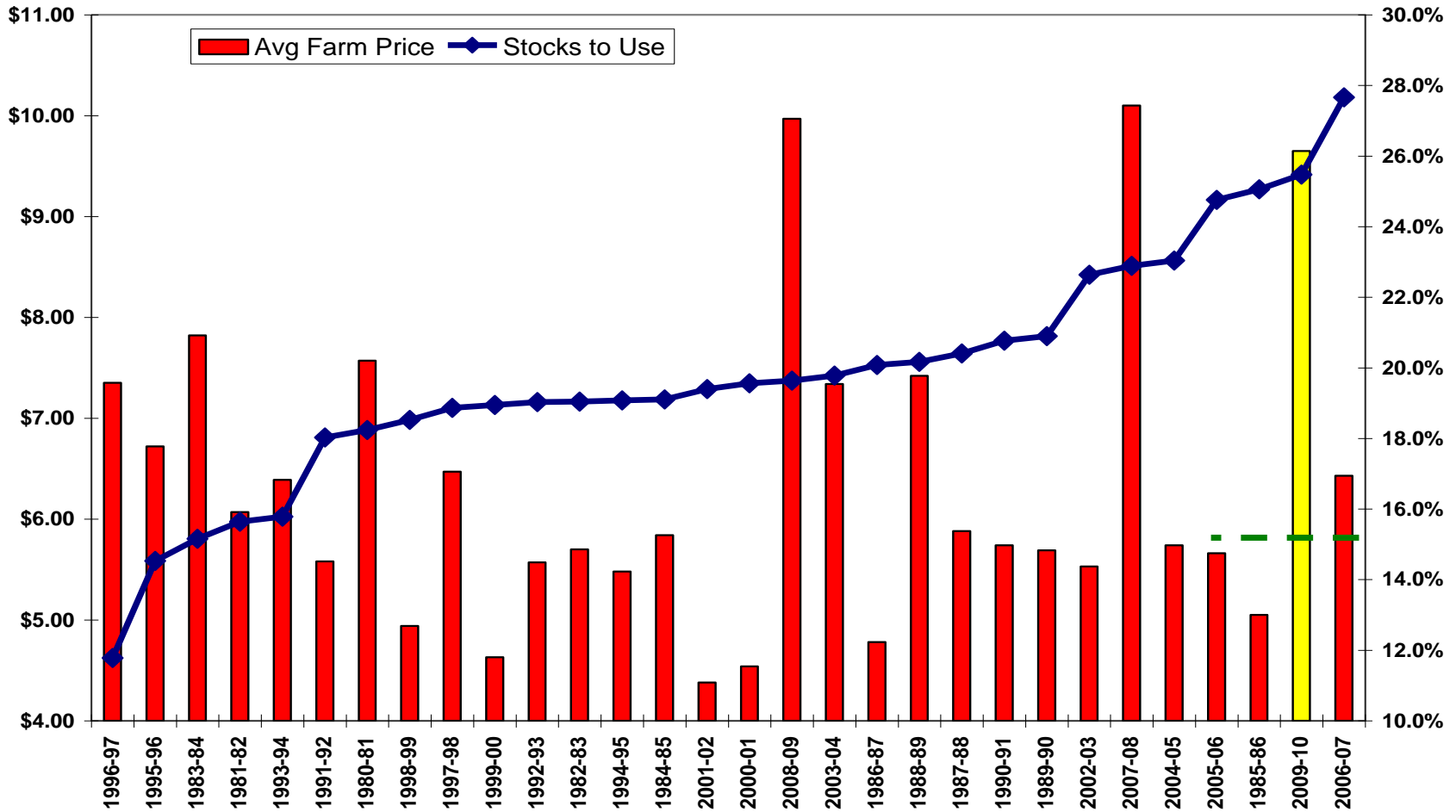
World Soybean Supply and Demand

WORLD SOYBEAN FUNDAMENTALS



World Soybean Supply and Demand

WORLD SOYBEANS: END STOx/USE and AVG US FARM PRICE



SOYBEAN OUTLOOK

- **2009-10 Conclusion:** Soybeans could continue to find support through the early part of 2010 due to the strength of global demand. However, as the South American crop comes on the market could begin to come under pressure. The trend is giving indications of turning down and futures spreads are showing greater carry. Ultimately, the nearby futures contract could have a \$6 in the first column.

- **Issues:**
 - Continued strong Chinese demand
 - Record production in both Brazil and Argentina?
 - Possible cancellations of record purchase of U.S. supplies later in the marketing year

CONCLUSION

- **Commodities (including ag markets) should remain closely tied to outside market influences**
 - **Dow Jones Industrial Average**
 - **U.S. dollar index**
 - **Interest rate actions**

- **Fundamentals reasserting themselves. Unfortunately for producers, supply and demand is largely bearish.**

- **Weather will play a key role in 2010**
 - **South American production**
 - **Finishing fall (2009) harvest**
 - **Spring planted acreage**

For more information:

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Email: darin.newsom@telventdtn.com

Thank you