

One of the first reports on soybean planting was published in Brazil, reporting 3% of total area planted. This pace is slightly above historical levels and last year's pace at 2%. Overall, farmers are seen improved weather compared to 2008, when weather conditions were very irregular, with high rainfall rates and continuous drought, especially in Southern states of Brazil.

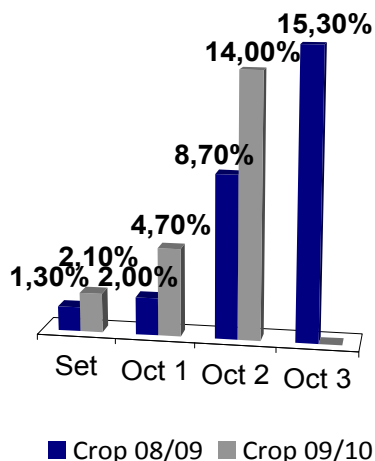
Weather forecast indicates regular rainfall for 2009/10 crop planting stage in Mato Grosso, Goias and Southern Brazil.

SOY - BRAZIL - PLANTING FOLLOW-UP - CROP 2008/09				
- % OF ESTIMATE PLANTING				
States	10/09 9/Oct	10/09 02/Oct	2008 9/Oct	5 Y AVE
RS	0,00%	-	-	0,00%
PR	4,00%	-	3,00	3,00%
MT	7,00%	-	3,00	4,00%
MS	1,00%	-	1,00	1,00%
GO	4,00%	-	2,00	1,00%
SP	0,00%	-	-	0,00%
MG	0,00%	-	-	0,00%
BA	0,00%	-	-	0,00%
OUT	0,00%	-	-	0,00%
BRAZIL	3,00%	-	2,00	1,00%

Source: SAFRAS & Mercado

The largest producing state Mato Grosso reported 14% planted, above last year 8.70% and historical pace. This faster pace is due to excellent weather conditions, better credit conditions and farmers race for old crop basis levels, which could add additional 15% return on the acre versus harvest time pressured basis. It seems that credit shortage, which started in September 2008 globally, and heavily affected the emerging market is finally over.

Planting Follow-up - Soybeans Brazil



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For Mato Grosso, CONAB, Brazil's main public commodities organization, estimates 5,867 million hectares for 2009/10 crop, 2.9% higher than last crop. CONAB also forecasts 17.61 million tonnes for Mato Grosso soybean production, 1.2% higher than last year.

As for the mentioned return of credit, Banco do Brasil should grant a US\$25-billion credit line for 2009/10 crop, according to local sources. This amount is 30% higher than last crop. This will provide grain producers with financial conditions to better manage their crop and prepare for next year's crop as well.

The villain is the Brazilian exchange rate; from the moment dollarized fertilizers were purchased, from March through July, the USD/BRL has appreciated more than 20%. See the financial impact below ***if basis did not offset the loss.***

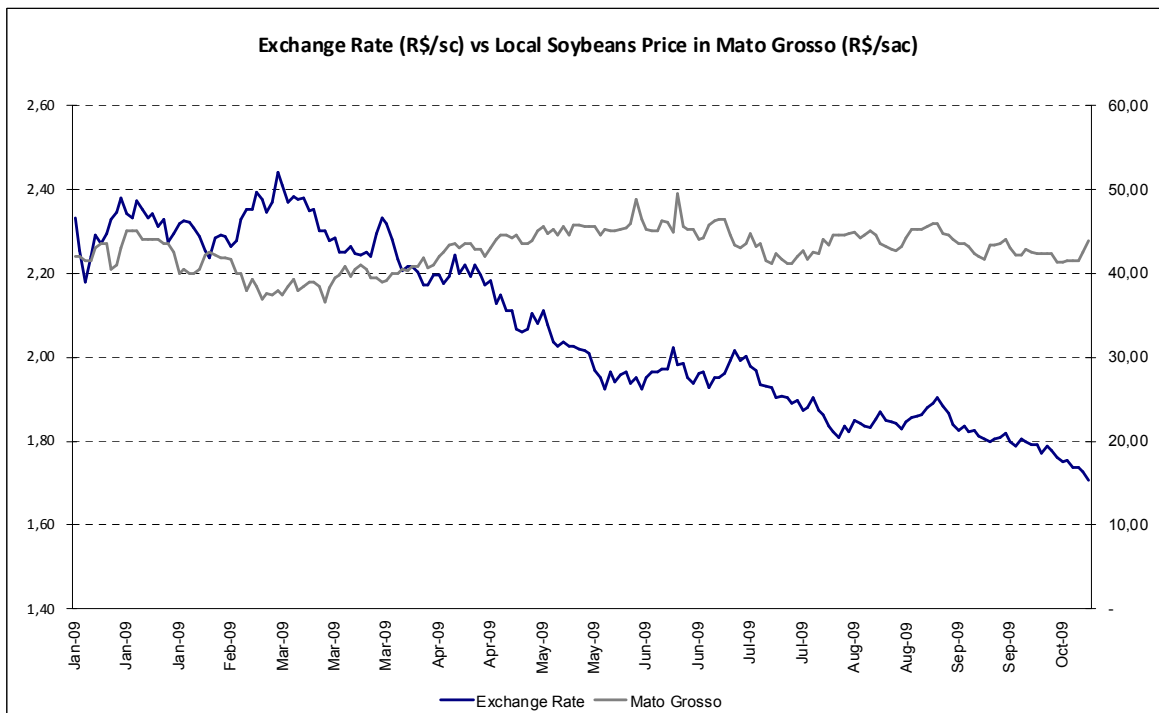
Crop Input March to May = US\$700/Ha at 2.10 = R\$1400

Soybean return over 1 HA March to May = US\$995/Ha at 2.10 = R\$2.089

Soybean return over 1 HA Today = US\$995/Ha at 1.70 = R\$1.691

Loss on 1 HA = R\$398/Ha

The above loss was offset by basis appreciation in the domestic market and thanks to the recent rally in CBOT values near \$10/bu. The chart below shows the USD/BRL (the blue line) appreciation this year, versus a local physical price in Mato Grosso in R\$/sac. As you can see, the price has not change much and that is mainly due to a strengthening in basis. If basis collapse at historical levels, farmers return would be hurt dramatically.



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