

BRAZILIAN SOYBEAN MARKET CHARACTERIZED BY SLOW COMMERCIALIZATION PROGRESS AND LOWER EXPORTS

Old crop sales at 95% compared to 93% of last year and the 5YA, meaning farmers hold only 3.12 million tons in their hands still and out of that most being in Rio Grande do Sul, where vast majority are micro-farmers.

New crop sales lagging behind at 18% versus 23% of the 5YA. Comparing new crop sales to last year farmers are holding similar merchandising pattern trying to harvest short-cycled beans and merchandise at old crop basis levels. It seems like farmers are bartering what they need against

Chinese demand for domestic Brazilian beans were 38% higher during the Jan-Oct 2009 compared to same period 2008, reaching 15.933 million tons. Out of the 350K expected to complete the Jan-Dez cycle, we expect China to still take half of that volume to fulfill loadings.

Brazilian Soybean Exports to China

(in thousand tonnes)

Month	2008	2009*	2008/09 Variation
Oct	234	218	-7%
Nov	192	114*	-41%
Dec	52	61*	18%

Soybean Commercialization Progress - Brazilian 2009/10 Crop

(% of expected production)

States	2009/10 27/Nov	2008/09 27/Nov	5 Year Average NORMAL
RS	2	1	3
PR	6	4	8
MT	35	35	41
MS	19	11	23
GO	17	23	24
SP	5	4	10
MG	13	22	28
BA	28	17	34
OCT	18	20	28
BRAZIL	18	17	23

Source: SAFRAS&Mercado and MDIC

*2009 November and December numbers are forecasts

**Forecasts were calculated based on 2004, 2005, 2006, 2007 and 2008 export levels, released

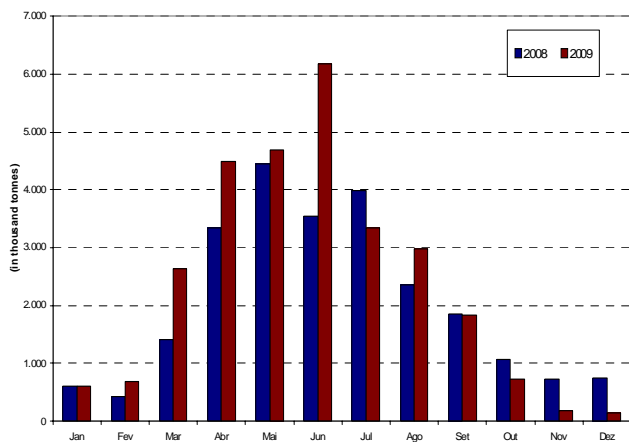
Source: SAFRAS&Mercado

chemical and fertilizer while holding to merchandise as harvest approaches.

Interesting to hear farmers talking and making their first purchases of fertilizer for the 2010-11 crop year. Talking to some farmers, they mentioned that current CBOT values, weak dollar, lower input cost and cheap interest rates are economically motivating them to get in early.

As expected, Brazilian exports are weakened in the last 3 months of the year as the US takes upon China huge demand and domestic market keeps basis much higher than export parity. Our estimates indicate that November and December exports together will not pass 350K tons compared to 1.5 million tons of last year.

Brazilian Soybean Exports - 2008 vs 2009



Source: SAFRAS&Mercado and FCStone do Brasil