

Overall, domestic soybean market is proceeding well, but market can be more concerned in the near future about weather. Forward sales has been slow, according to domestic sources.

Additionally, there are worries about climate conditions in the South Region of Brazil, due to intense rains there. This may prejudice late planted soybean, resulting in difficulties to seeds development and in short-sized plants. This situation is seen in about 20% of Rio Grande do Sul's soybean planted area. However, in general, crop development is normal, compared to average, with soybean crop rated as good/excellent.

Soybean Plantation Phases in RS	Current Crop		Previous Crop	5 Year Average
	1/21	1/14	1/21	1/21
Plantation	100%	97%	100%	100%
Germinantion	78%	84%	75%	65%
Flowering	20%	11%	25%	33%
Grain Filling	2%	0%	0%	2%

Source: EMATER/RS

In mid-January, there was great expectation for short-cycled soybean harvest intensification in Mato Grosso. However, strong rains last week reduced harvest progress. Even so, 2.7% of total planted area in Mato Grosso were harvested in 1<sup>st</sup> January fortnight of 2010, 1.5% higher than the same period last year.

Short-cycled soybean prices are not as high as expected. Its demand is the main influence factor for this scenario. Many traders anticipated their purchases in the last three months of 2009. Consequently, they have a lower buy necessity now.

Also, basis values have been decreasing sharply over the last two weeks and CBOT futures prices has suffered pressure from current fundamentals.

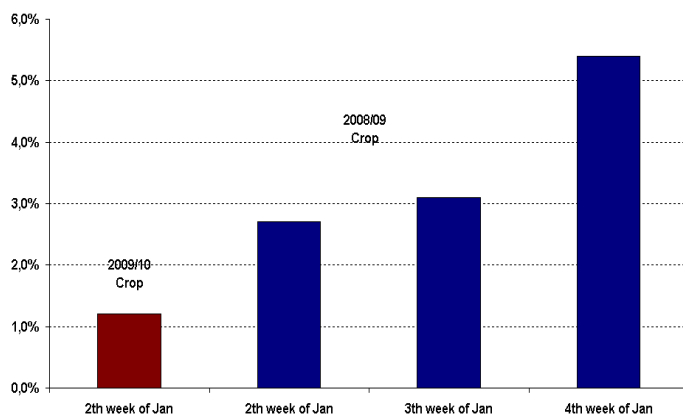
The demand for this soybeans is basically domestic, with crushing plants feeding their needs.

Some new market factors can change this scenario in medium term. On one hand, concerns about spread of "rust", a disease caused by fungi, in Center-South soybean crop remain. In January 13th, 65 cases were registered in state of Mato Grosso. In Goiás, this number achieved 318 cases. It means higher planting costs as it is necessary to use defensives to contain the rust spread.

On the other hand, we can see an increase of Mato Grosso soybean exports through ports. In 2009, 10.647 million tonnes of soybean were exported from Mato Grosso, compared to 8.608 million in 2008.

Nowadays, state of Tocantins has received investments related to soybean planting. Land availability and the logistics flow are some of the factors favorable for soybean culture expansion in this area.

Soybean Harvest in Mato Grosso (% of area)



Source: IMEA