



MORNING GRAIN UPDATE

Tuesday, May 29, 2007

POLICY & INTERNATIONAL: Gulf to Asia ocean freight soft at the end of last week with Gulf to Japan at \$78 and PNW to Japan at \$49. India economy has grown at an avg of 8.6 pct over the last 4 years while the Ag output growth has been limited to 2 pct annually for the last 10 years. Inflation running 6 to 7 pct.

VOL-OPEN INT:

Wht 45.3	OI 364.1 off .3
Corn 156.0	OI 1247.1 up 2.6
Beans 97.4	OI 510.3 up 8.6
Meal 47.0	OI 210.3 up 2.3
Oil 36.9	OI 308.5 off 1.9

DELIVERIES:

WHEAT: So Korea for 22 TMT mixed US wheat for Jly. Japan for 45 TMT wheat for Jly this week. Indian appears ready to buy 300 to 370 TMT European wheat priced at \$263. Early est of Brazil wheat production is 80 pct higher than last year. There was more hard wheat harvest in Okla than expected---came on the SW edges of the rain event?

CORN: So Korea bot 110 TMT corn for Nov-Dec at 222.50 with \$8 discount if China origin. Taiwan for 23 TMT corn along with 12 TMT beans for Jun-Jly. Israel for 56 TMT corn in tandem with small parcel of meal. Mex remains active. Turkey expected to set a tender for 500 TMT corn. Corn barge basis has developed a distinctive inverse in bids. Cyprus for 23 TMT

<u>Cash:</u>	Bean Barge	Corn Barge	SRW Barge	HRW Rail	Ill Riv Frt
Aflt		+43/44 N			
May	+2/5 N	+41/44 N	+2/5 N	+58/?? N	310
Jun	+0/4 N	+41/43 N	+0/5 N	+58/62 N	310
Jly	+6/10 N	+44/45 N	+5/10 N	+58/62 N	320

WEATHER: Weekend rains were very beneficial in Western Europe. Nothing seen in the FSU. Rains were also beneficial in the western New Lands in Aust. Remains dry in China also. In the US weekend rains were near total for most of the corn belt with accumulations not quite as heavy as forecast. Only the SE was left dry. Drought conditions have expanded all the way north to the Ohio River. We get a couple of days of sunshine before we get wet again later this week. Same rains covered a good deal of hard wheat country. Some reports of limited harvest in SW Okla but the hard wheat belt in general looks very wet again all week. The 6 to 10 day maps have normal temps for all with any extremes

barley. Jun 13 Japan to hold the first SBS tender for 33 TMT feed wheat and 317 TMT barley for Jun-Sep. Arg corn harvest est at 71 pct complete vs 80 last year. Russian spring crop planting progress put at 80 pct complete unch from last year. Feed grain exports will be reduced due to growing domestic feed demand. Mixed views on corn conditions with some expecting better and some off slightly. Put me in the last category only due to the small stature and delayed development in all the corn I saw over the weekend travels.

BEANS: So Korea bot only 25 if 125 TMT edible beans for Jun of next year. Taiwan for 55 TMT beans for Jun-Jly—plus a small parcel in combo with corn. Mex around the bean market. China still around also. Brazil bean basis offered at 38 under with no bids. Egypt for vegoil. Malay palm oil futures finished up 3 but well off new contract highs during the session. Cash palm olein still very strong at \$830 for Jun and \$795 for late summer. The cash market continues very concerned about lack of coverage for major users in Pakistan, India and China? China domestic vegoil prices up very sharply at around 5% over the weekend as trade there chased domestic supplies. Arg bean harvest up to 85 pct 5 complete vs 92 last year. Bean planting progress expected to be 75 or higher

way west. Precip is normal to above normal for all the corn belt. The Tex area also continues wet in this forecast. The SE and a good part of the central plains remain below normal. The 11 to 15 day shows above normal temps across the south while the north is normal. No sign of ridging in this forecast? Precip drops to below normal for all but the northern plains where it stays wet.

CALLS: Night session weakened with corn off 5, beans off 4, with wheat off 2 in KC and 4 in Chi. Calls will be lower but the oil market remains strong in most of Asia even if showing signs of being toppy? After a lower start, will see if the market wants to concentrate on anything other than good US crop conditions?

