

## TRADING ADVANCES IN BRAZIL BUT REMAINS BELOW NORMAL AVERAGE

### HIGHLIGHTS

- The trading of the 2008/09 soybean crop in Brazil hit 30% from the expected crop through February 27. The flow remains well below the 45% registered in the same moment of 2008 and the 37% normal average.
- This lower movement stemmed from the clash between buyers and sellers along the season, with highlight on the discouragement to sales caused by the sharp restraint on the CBOT.
- So was the case of the month of February, after domestic prices showed declines between 8 and 13% in the main trading regions.
- The harvest of the new Brazilian crop hit in the period 18% from the total seeded area, against 16% in the same period last year and 14% of the historic average. Rains slowed down the pace of the harvest, but were favorable to developing groves.
- On the 26th, the United States Department of Agriculture (USDA), during its opening seminar of the 2009/10 season, released its first estimate on the potential area and production of US soybeans. The report pointed to an area of 31.16 million hectares, up 1.8% from 30.60 million tons of the current crop. And a potential production of 87.36 million tons, up 8.5% from 80.53 million tons. With that, the stocks rose from 5.72 million to 10.34 million tons.

### Sales remain below average

This week's issue is bringing the new report made by SAFRAS & Mercado to the flow of trading of the 2008/09 soybean crop in Brazil. And sustaining the same line observed in previous reports, including the one from late last year, while business was still considered forward, the trading pace remains slower than normal to the period. According to the report, we have currently around 30% of the new crop already committed by growers, through many mechanisms of negotiation existing in the country, including direct sales, with or without forward payment, and business involving the purchase of inputs, as is the case of the operations of exchange and pay in advance, that would be loans having soybeans as pay warranty. This movement stayed well below the 45% registered in the same period last year and also the 40% registered in 2007. And also shows delay against the 37% of the average for the last five years. That means that, by considering the current forecast of a crop of 56,648 thousand tons, we have a total commitment of 17,010 thousand tons. To have a comparative idea, all we need to say is that in the same moment of 2008 our evaluation was 27,900 thousand tons already committed.

As usual, business is more advanced in the central region of the country. In Mato Grosso, the main grower, the commitments reach 52% from the expected production, against 59% of the normal average. Goiás comes right after, with 39% and average 39%, then Minas Gerais, with 36% and average of 40%, Bahia, with 30% and average of 47% and Mato Grosso do Sul, with 26% and average of 39%. In the state of the South and in São Paulo, the pace is much slower and also below normal. Especially in Paraná, with 10% of the crop and average 22%, and Rio Grande do Sul,

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with 6% and average 14%. In São Paulo, the difference is smaller, with 14% of commitment and 18% of average.

## Good movement in December and January

It is important to highlight that in this season, unlike the year earlier, the slow pace in negotiations has been a mark since the start of the process in 2008 and is related especially to the clash observed between the interests of buyers and sellers. When futures prices were firm and attractive to sellers, which happened in the first seven months last year, there was no buying interest. When prices plummeted on the Chicago Board of Trade (CBOT), in August, sellers were the ones who moved off the market. Even so, it is also worth mentioning the fact that in the last minute, in this case between late December and the month of January, especially in the latter case, we had a certain acceleration of business. All in the wake of the recovery observed on the CBOT quotes, that rose from the level of US\$ 8.00 in early December to reach the peak close to US\$ 10.50/bushel in January, mainly owing to weather problems and crop losses in South America.

Moreover, this valuation happened without counterpart from the exchange rate, i.e. we had highs in Chicago happening at the same time in which the real was dropping against the dollar. With this last rebound of prices, part of growers took advantage to make a good volume of sales of the physical crop and also forward settings. So there was a decrease of the difference downwards relative to the historic average to 7%. So much so that the difference to the normal average in

early December, data of the previous report, lay at 9%, i.e., 17% of sales against average 26%.

## Pace falls again in February

But in spite of this afterlife of the market in December and January, the flow of business was complicated again in February. Basically on the considerable decline in prices observed in the domestic market, not only in the physical market but also in the new crop. As can be seen through the second picture of this issue, we had decline in the prices of soybeans varying between 8 and 13% amid the main trading regions of the country. In the same period we also had a 6% decline in soy meal and of 8% in soy oil. The restraint was basically linked to the pronounced low in the quotes of the CBOT futures market, that lost 12% of the value of soybeans, 12% of soy meal and 8% of soy oil. And also to the fact that the light 2% valuation in the exchange rate was not sufficient to nullify outside losses. If we compare this picture with a year ago, it is possible to realize also sharp declines, varying between 6 and 14%. In the period we had practically a proportional counterpart between the dollar and the CBOT, with high in the first case of 36% and decline, in the second, of 37%.

The main factors acting on the market at the moment are as follows:

### Negative

- \* Early expectation of increase in the US area in the 2009/10 crop and possible recovery in stocks;

- \* Normalization of the weather in South America with the recent rains, stopping drought-induced losses;

- \* Advance of the harvest of the new crop in South America;

- \* Lack of good perspectives to the world economy, keeping the threat of restraint in demand and surplus stocks;

- \* Financial market weakened by a widespread sentiment of mistrust about the path of the global economy;

### Positive

- \* Light recovery in the prices of crude oil must prompt support soon;

SOYBEANS - BRAZIL - TRADE PROGRESS - 2008/09 CROP IN % FROM EXPECTED PRODUCTION - VOLUMES IN THOUSAND TONS						
States	08/09 Feb 27	TRADED VOLUME	EXPECTED CROP	07/08 Feb 27	06/07 Feb 27	NORMAL AVG (1)
RS	6	500	8295	19	11	14
PR	10	1000	10000	26	33	22
MT	52	8700	16710	68	64	59
MS	26	1120	4300	50	44	39
GO	39	2430	6235	48	41	39
SP	14	200	1430	32	21	18
MG	36	910	2523	50	38	40
BA	30	800	2650	59	55	47
Other	30	1350	4505	50	39	35
BRAZIL	30	17010	56648	45	40	37

Source: SAFRAS & Mercado  
Note: percentage points considering the commitment of growers.  
(1) 5-year average.

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\* Tight stocks projected to the 2008/09 season in the US, world and South America;

\* Difference downwards in the estimate of the South American crop relative to the current forecasts by the USDA;

\* News on the evolution of a higher-than-expected consumption of the US product.

## What is coming up

To the next few weeks the market will continue being affected by the final definition of the crop in South America, which may still bring some light support to prices. But from April on attentions turn to the fundamental side on the weather and to the definition of area in the US, which at this moment is a bearish variable, considering the trend of advance of soybeans. Apart from that, we have basically the matter of the financial market, that needs to invert the sentiment to favor again the quotes of agricultural commodities.

## USDA PROJECTS HIGHER STOCKS

On February 26 the USDA, in its opening seminar of the 2009/10 season, released its early figures to the US soybean complex, signaling that the stocks must rise sharply. Although still without more definitive parameters, as the figures are not based on the effective crop report - recalling that the report on planting intentions is only released on

March 31 - its forecasts point to a higher area by 1.8% in the new season, rising from 30.60 million to 31.16 million hectares. Within this line of thought expressed in this space in previous issues. I would even say a little below the average expectation of the market. In case of normal weather, the potential of production early indicated would be 87.40 million tons, that in case of confirmation would mean an 8.5% increase over the 80.53 million tons achieved in the current crop. It would so happen considering an average yield close to 2,800 kg/ha that, if not setting a new record to the country, would stay in line with the performance of the 2007/08 crop and would mean a sharp increase relative to 2,663 kg/ha of the frustrated 2008/09 crop.

Another outstanding fact of the report of this last week was the indication of consistent increase in the ending stocks of soybeans, considering that the increase of crop would likely be much higher than the increase of demand. According to the USDA, the ending stocks to 2009/10 would climb to 10.34 million tons, up 81% from 5.72 million tons of the carry-in. So the ratio between ending stocks and total consumption would jump from current 7.1% to 12.5%, that although is not a very comfortable ratio at least shows the trend of a quieter year to domestic supply. To arrive at such picture, the report pointed to the trend of rising consumption, with crushings rising from 44.91 million to 45.45 million tons, and exports advancing from 31.30 million to 33.20 million tons. In spite of the concern and limitation imposed by the recessive US

picture, demand would likely be favored by a strong cut in the production of South America.

## HARVEST ADVANCES LESS

In spite of the harvest of the new Brazilian soybean crop staying with figures ahead of the historic average, the week ended on February 27 was marked by a lower advance in the harvest. It is true that between the current report and the previous, the harvest also

SOY COMPLEX - PRICE OSCILLATION								
Items	%	FEB/09	JAN/09	%	FEB/08	%	IN US\$	
	a/b	(a)	(b)	a/c	(c)	d/e	FEB/09(d)	FEB/08(e)
- US\$ (purchase)(in R\$)	<b>2</b>	2,3500	2,3066	<b>36</b>	1,7263	--	--	--
- SBNS (CBOT)(US\$ cents/bu)	<b>-12</b>	870,00	992,60	<b>-37</b>	1388,82	--	--	--
- SBNS BRAZIL (R\$/60kg)								
. Cascavel/PR	<b>-12</b>	43,00	48,76	<b>-7</b>	46,25	<b>-32</b>	18,30	26,79
. Passo Fundo/RS	<b>-8</b>	47,50	51,71	<b>-6</b>	50,66	<b>-31</b>	20,21	29,35
. Rondonópolis/MT	<b>-13</b>	37,50	42,87	<b>-12</b>	42,64	<b>-35</b>	15,96	24,70
. Campo Grande/MS	<b>-12</b>	40,00	45,38	<b>-7</b>	43,24	<b>-32</b>	17,02	25,05
. Rio Verde/GO	<b>-13</b>	39,00	44,62	<b>-14</b>	45,29	<b>-37</b>	16,60	26,24
. Uberlândia/MG	<b>-9</b>	41,00	45,29	<b>-14</b>	47,63	<b>-37</b>	17,45	27,59
- MEAL (CBOT)(US\$/short t.)	<b>-12</b>	269,00	307,08	<b>-25</b>	360,56	--	--	--
- MEAL BRAZIL (R\$/t)								
. São Paulo/SP	<b>-6</b>	840,00	889,76	<b>26</b>	667,89	<b>-8</b>	357,45	386,89
- OIL (CBOT)(cents/pound)	<b>-8</b>	31,65	34,23	<b>-47</b>	59,67	--	--	--
- OIL BRAZIL (R\$/t)(with 12% . São Paulo/SP	<b>-8</b>	1760,00	1911,90	<b>-35</b>	2727,89	<b>-53</b>	748,94	1580,19

Source: SAFRAS e Mercado

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moved 5%. But in this last week the progress should have been higher, as there are much more groves to be reaped. Last year, for example, the advance between the two reports was 7%. And on the average the normal advance is of 6% in the period. The limitation to the work was once again connected to the occurrence of rains in good volume and in most of the growing region. Notably in the states of Paraná, Mato Grosso do Sul, São Paulo, Goiás and parts of Mato Grosso, which are the regions where groves are more developed. Yet, considering there were sunny periods, there is no register of major concern among growers. Only over the control of rust, once rising moisture levels made the figure of outbreaks rise. On the other hand, these rains allowed a complete stabilization of croplands all over the country, limiting the losses to the irreversible effects of the drought that hit important growing states between the months of November and early January. According to the S&M report till this date, we arrived at 18% from the total seeded area already seeded, against 13% in the week earlier. Even so the working pace remains ahead of 16% in the same moment last year and 14% of the 5-year average.

**SOYBEAN HARVEST PROGRESS - BRAZIL  
IN % FROM EXPECTED AREA**

States	2009 Feb 27	2009 Feb 20	2008 Feb 27	Normal Average(x)
RS	0	0	0	0
PR	20	16	13	13
MT	37	25	36	30
MS	18	14	11	14
GO	28	19	23	22
SP	14	7	7	10
MG	1	1	4	3
BA	0	0	0	0
SC	0	0	0	0
Other	0	0	0	0
<b>BRAZIL(*)</b>	<b>18</b>	<b>13</b>	<b>16</b>	<b>14</b>

Note: (x) Historic 5-year average

(\*) Weighed average

Source: SAFRAS & Mercado

**VOLATILITY PREVAILS IN CHICAGO**

The week ended on Thursday 26 was marked by swings on the CBOT, but with indications ending the period at levels similar to those the end of the week earlier, only slightly better. The exception was soyoil, that registered valuation, in line with the high of the prices of crude oil. The concern over the paths of the world economy persists as one of the main factors of uncertainty in the markets of agricultural commodities. For soybeans, particularly, the fears that there is a decrease in demand owing to the global economic recession was added to the new estimates of area in the United States, released at the USDA seminar, which may signal again the lack of support this week. Moreover, the weather last week was considered favorable to South American groves, offsetting drought-induced losses. This

combination of fundamental bearish factors ended up nullifying the support caused by the financial side on the recovery of crude oil.

The quote of soybeans for March/09 on the CBOT ended the session of Thursday at US\$ 869.25 cents/bushel, 0.8% ahead of the price of the Friday earlier, the 20th, that had closed at US\$ 862.50 cents. The soymeal March/09 contract dropped from US\$ 270.00/short ton to US\$ 269.00 (down 0.4%). For soyoil, also in the March/09 contract, the influence of crude oil stayed evident in the 4.7% high registered between the 20th, when the price was US\$ 30.22 cents/pound, and the 26th, when the price ended the session at US\$ 31.64 cents.

Mixed prices in the domestic market

The volatility of the CBOT affected once again domestic quotes. Moreover, the indications were also influenced by the entrance of new soybeans in the market owing to the advance of the harvest and by the weakening of the exchange rate. The US currency dropped from R\$ 2.3908 on the 20th to R\$ 2.3495 last Thursday, down 1.7% (PTAX dollar, bid).

In Passo Fundo/RS, bids dropped from R\$ 48.50 a bag of 60 kg on the 20th to R\$ 47.50 on the 26th (devaluation of 2.1%). In the region of Cascavel/PR, bids rose from R\$ 42.50 to R\$ 43.00 (up 1.2%). In Rondonópolis/MT, bids rose from R\$ 36.90 to R\$ 37.50 (up 1.6%).

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# INDICATORS

SOUTH AMERICAN SUPPLY AND DEMAND							SOYBEAN COMPLEX - BRAZILIAN EXPORTS							
CROP	SOYBEANS		CORN		WHEAT		SHIPMENTS PER EXIT PORTS - MARKETING YEAR							
	08/09	07/08	07/08	06/07	07/08	06/07	in th. tonnes							
<b>SOUTH AMERICA</b>							<b>January 2009</b>					<b>February/01 January 2008</b>		<b>08/09</b>
-Production	121.013	115.435	71.084	63.907	22.366	20.070	Paranaguá	139,2	4235,9	4519,2	4519,2			
-Imports	3.300	3.350	1.164	1.011	12.965	13.925	Santos	51,8	7106,8	4602,0	4602,0			
-Domestic Consump	73.593	71.850	49.472	46.377	24.430	24.156	Rio Grande	0,0	3283,6	5240,7	5240,7			
-Exports	46.435	42.900	24.839	18.427	10.395	10.983	Vitória(*)	134,1	2485,9	2532,5	2532,5			
<b>BRAZIL</b>							<b>São Francisco</b>					<b>2437,8</b>		
-Production	61.483	60.435	50.084	42.907	3.880	2.250	São Luis(**)	0,0	1743,1	1399,7	1399,7			
-Imports	100	100	1.164	1.011	7.200	8.000	Ilhéus	0,0	53,0	91,0	91,0			
-Domestic Consump	33.500	35.200	42.372	39.427	10.200	10.200	Itacoatiara(x)	154,0	1522,7	1472,8	1472,8			
-Exports	26.000	25.500	10.839	4.327	600	40	Cáceres/Crba(y)	5,9	59,8	192,9	192,9			
<b>ARGENTINA</b>							<b>Others</b>					<b>1316,2</b>		
-Production	51.000	47.000	21.000	21.000	15.500	15.200	<b>TOTAL</b>	<b>614,5</b>	<b>24514,5</b>	<b>23804,8</b>	<b>23804,8</b>			
-Imports	3.000	3.000	0	0	5	5	<b>MEAL</b>							
-Domestic Consump	37.000	34.000	7.100	6.950	5.000	6.000	Paranaguá	245,7	4745,7	5499,0	5499,0			
-Exports	15.000	12.000	14.000	14.100	9.500	10.500	Rio Grande	156,3	2011,7	1973,2	1973,2			
<b>PARAGUAY</b>							<b>São Francisco</b>					<b>146,3</b>		
-Production	6.930	6.900	-	-	630	600	Vitória	16,7	407,7	146,3	146,3			
-Imports	0	0	-	-	10	18	Santos	72,0	916,8	968,3	968,3			
-Domestic Consump	1.450	1.450	-	-	375	375	Ilhéus	263,3	3100,0	2482,3	2482,3			
-Exports	5.335	5.305	-	-	375	169	Others	183,0	1323,5	743,3	743,3			
<b>BOLIVIA</b>							<b>TOTAL</b>					<b>937,0</b>		
-Production	1.600	1.100	-	-	117	150	Paranaguá	53,3	1242,3	1348,1	1348,1			
-Imports	200	250	-	-	300	332	Rio Grande	22,5	520,3	640,7	640,7			
-Domestic Consump	1.643	1.200	-	-	417	449	São Francisco	1,0	114,5	219,4	219,4			
-Exports	100	95	-	-	0	0	Santos	14,5	143,8	224,7	224,7			

Source: SAFRAS & Mercado/SECEX/SAGPYA/IBCE/CAPECO

SOYBEANS - WORLD DEMAND INDICATOR						
in th. tonnes						
WEEK	Feb/19 2009	Feb/19 2008	Since october(a) 07/08	06/07	oct/sep (estimate) 07/08	06/07
<b>USA (b)</b>						
-Exports	748	721	21553	18882	31300	29940
Crush (month)	3903	4218	45987	46950	46516	46882
USA Total	4651	4938	67540	65832	77816	76822
<b>SOUTH AMERICA</b>						
Month	Sep	Sep	Oct/Sep	Oct/Sep		
Exp. Brazil	1862	1817	25364	23485	26500	24500
Crush BR	2670	2711	31823	31111	31511	28756
Subtot. BR	4532	4528	57187	54596	58011	53256
Exp. Argen.	1078	1551	13960	10262	12826	7381
Crush Arg.	3217	3580	34612	33582	35967	32743
Subtot. ARG	4295	5131	48573	43844	48793	40124
Exp. Par.	na	na	na	na	4800	2380
Exp. Bol.	na	na	na	na	100	70
T. South America	8827	9658	105760	98439	111704	95830
Tot. General	13478	14597	173300	164271	189520	172652

Obs: Preliminary data.

(a) World crop year. In South America, following monthly totals.

(b) USA since SEP.

Source SAFRAS & Mercado

(\*) Tubarão port;  
 (\*\*) Itaquí and Ponta da Madeira ports; Araguaia waterway;  
 (x) Madeira-Amazonas waterway;  
 (y) Cáceres/MT and Corumbá/MS. Paraguai-Paraná waterway;  
 Source: SECEX/SAFRAS

SOYBEAN COMPLEX - 08/09 CROP - EXPORT REGIST.						
in th. tonnes	BRAZIL		USA		ARGENTINA	
	na	na	Feb/19	Feb/12	na	na
<b>BEANS</b>						
*Week	na	na	339,3	1094,3	na	na
Cum ./09	na	na	26933,2	26593,9	na	na
Cum ./08	na	na	25643,5	25059,9	na	na
<b>MEAL</b>						
*Week	na	na	145,6	142,7	na	na
Cum ./09	na	na	4277,6	4132,0	na	na
Cum ./08	na	na	4795,6	4692,7	na	na
<b>OIL</b>						
*Week	na	na	8,6	46,1	na	na
Cum ./09	na	na	367,4	358,8	na	na
Cum ./08	na	na	720,6	694,8	na	na

Source: SECEX/USDA/SAGPYA. (\* Biweekly in Brazil, 07/08 crop in Argentina)

SOY COMPLEX - EXPORTS - BRAZIL/SHIPPING PACE												
Per destination - in thousand tons - January (*)												
	SOYBEANS			SOYMEAL			SOYOIL					
	2009	2008	%	2009	2008	%	2009	2008	%	2009	2008	%
Germany	47,9	0,0	-	Germany	137,0	139,9	-2	Bangladesh	10,6	1,0	-	
Belgium	0,0	0,1	-	Belgium	23,9	8,7	175	China	1,5	47,0	-	
China	80,9	0,0	-	China	0,0	0,0	-	Korea	0,0	0,0	-	
Korea	0,0	0,0	-	Denmark	20,5	0,0	-	Egypt	0,0	4,0	-	
Spain	109,4	87,1	26	Spain	28,0	16,5	70	Netherlands	0,0	30,5	-	
France	36,7	0,0	-	France	289,2	154,1	88	Hong Kong	0,0	0,0	-	
Netherlands	178,0	193,1	-8	Netherland	138,6	164,4	-16	India	17,8	16,1	11	
England	44,2	77,3	-43	Hungary	0,0	0,0	-	Iran	1,6	50,4	-	
Italy	64,2	101,7	-37	England	48,1	30,9	56	Malaysia	0,0	1,0	-	
Japan	0,0	0,0	-	Italy	44,4	3,7	-	Morocco	0,0	0,0	-	
Malaysia	0,0	0,0	-	Japan	0,0	0,0	-	Pakistan	12,6	0,0	-	
Mexico	0,0	0,0	-	Poland	0,0	0,0	-	Dom. Rep.	2,1	0,0	-	
Norway	46,4	56,8	-18	Portugal	0,0	0,0	-	Turkey	0,0	0,0	-	
Portugal	0,0	10,6	-	Thailand	58,1	58,7	-1	ex-URSS	0,0	0,0	-	
ex-URSS	0,0	22,0	-	Turkey	0,0	0,0	-	Venezuela	15,4	3,1	-	
Others	6,8	50,9	-	Others	149,2	93,7	59	Others	54,3	80,9	-33	
<b>TOTAL</b>	<b>614,5</b>	<b>599,6</b>	<b>2</b>	<b>TOTAL</b>	<b>937,0</b>	<b>670,6</b>	<b>40</b>	<b>TOTAL</b>	<b>115,9</b>	<b>234,0</b>	<b>-50</b>	

Source: SECEX  
 OBS: (\*) Official data