



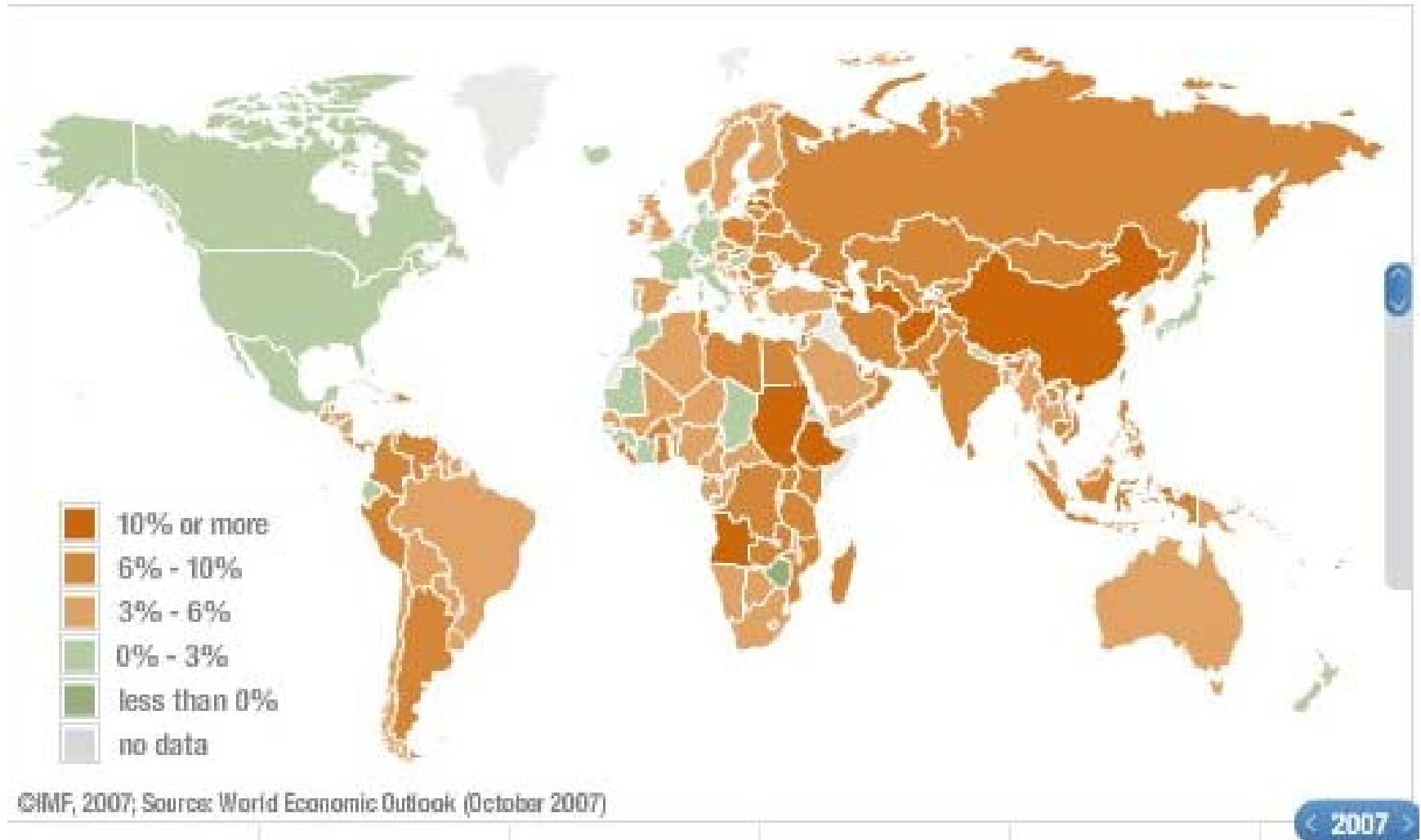
*with Mike  
Krueger*

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# **WHERE ARE WE & HOW DID WE GET HERE (a walk down memory lane) ?**

- **World wheat & feed grains supplies declining for more than a decade**
- **Very strong world economic growth**
- **Bio-fuels accelerate consumption**
- **Cash starts to flow into all commodity markets**
- **New investment vehicles “created”**
- **Trading funds are “born”**

# Amazing World Economic Growth – Can it Repeated in 2008 & 2009?



CL Z8 [30] - LIGHT CRUDE OIL

LAST: 80.63

CHANGE: ▼ 0.41

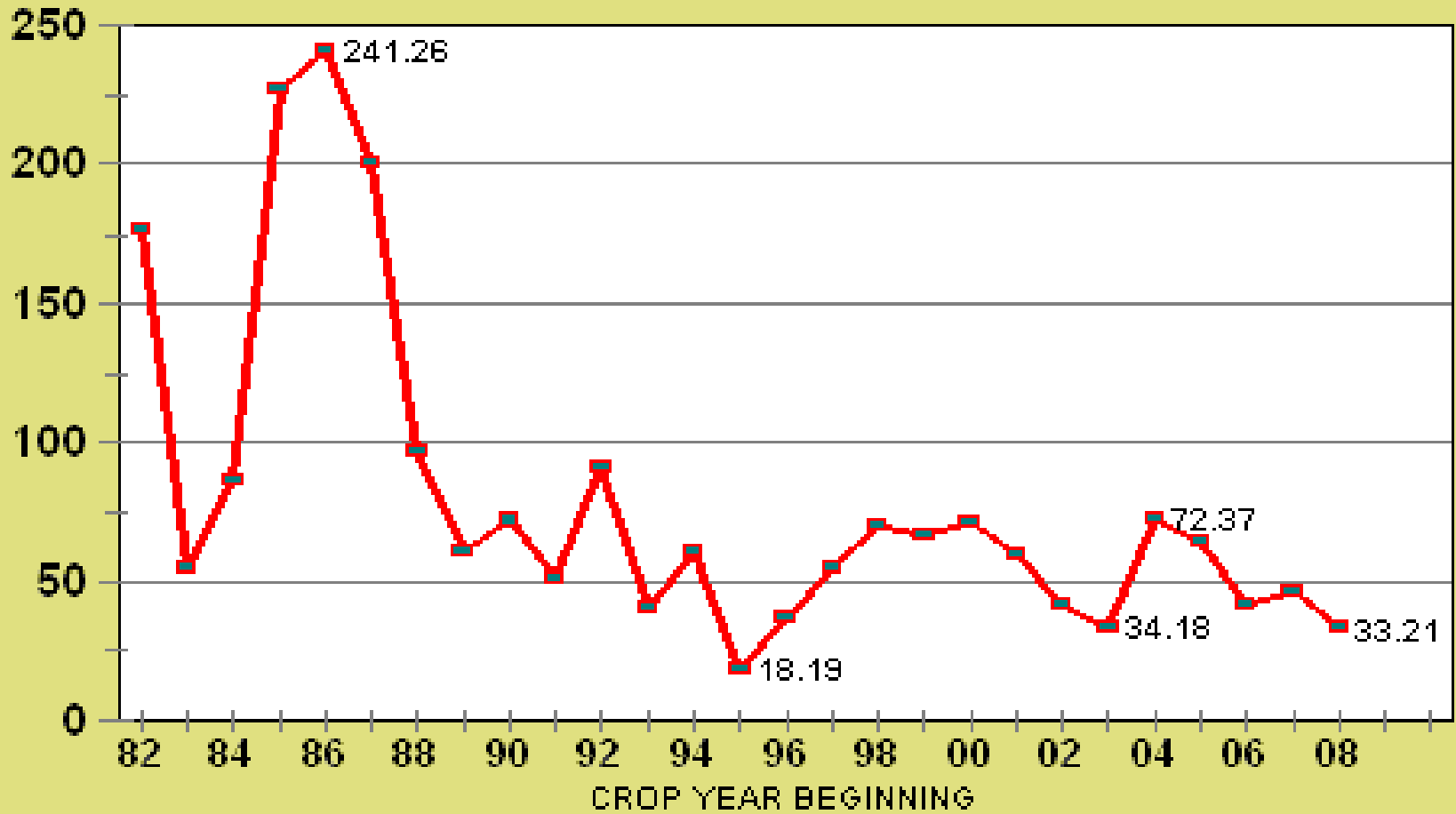
HIGH: 85.58

LOW: 80.43

11/10/2008



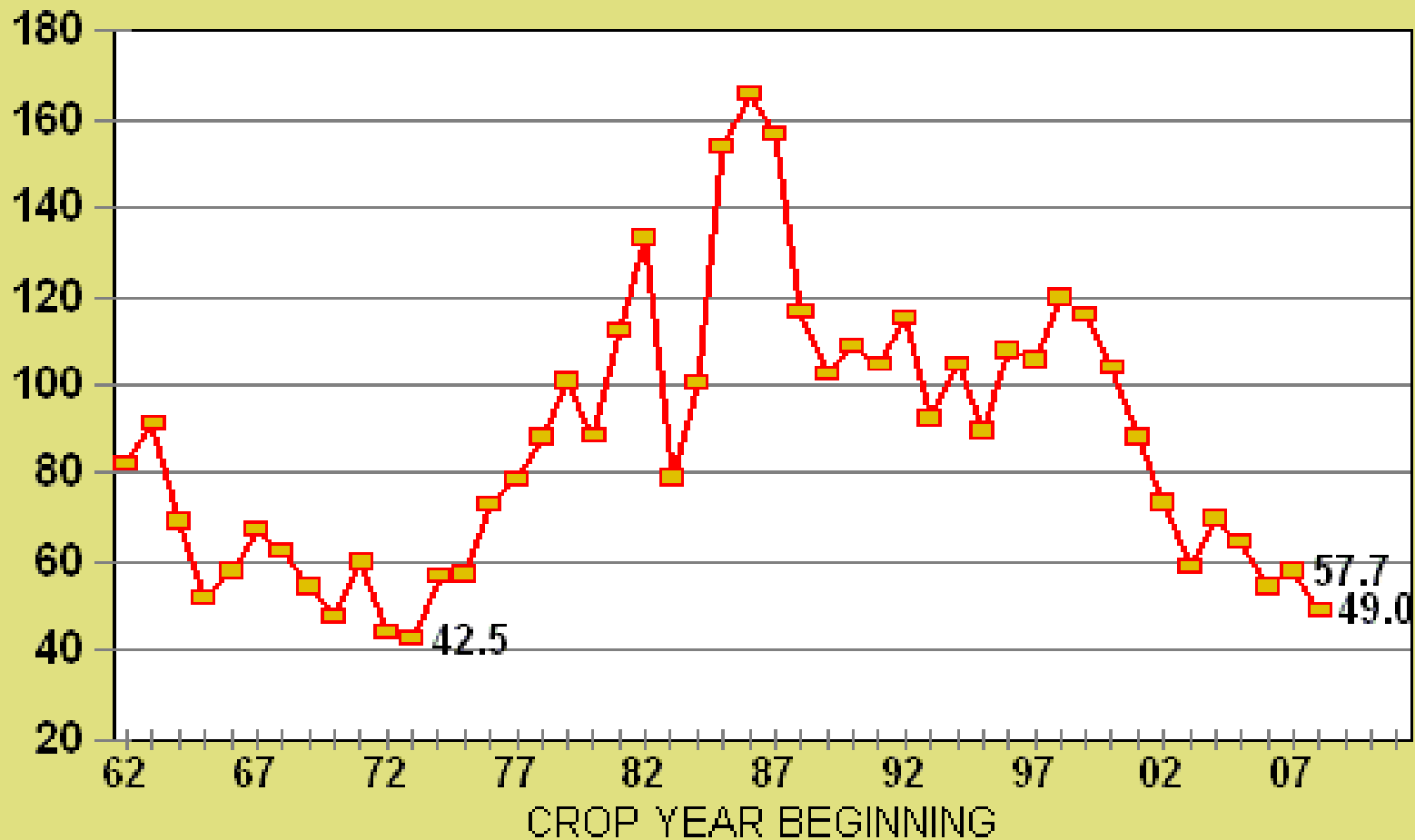
# U.S. CORN STOCKS: DAYS OF SUPPLY



Updated: October 10, 2008

THE HIGHTOWER REPORT

# WORLD CORN STOCKS: DAYS OF SUPPLY



Updated: October 10, 2008

THE HIGHTOWER REPORT

**C Z8 [10] - CORN (DAY)**

LAST: 378'8

CHANGE: 3'2

HIGH: 385'0

LOW: 376'4

**11/10/2008**



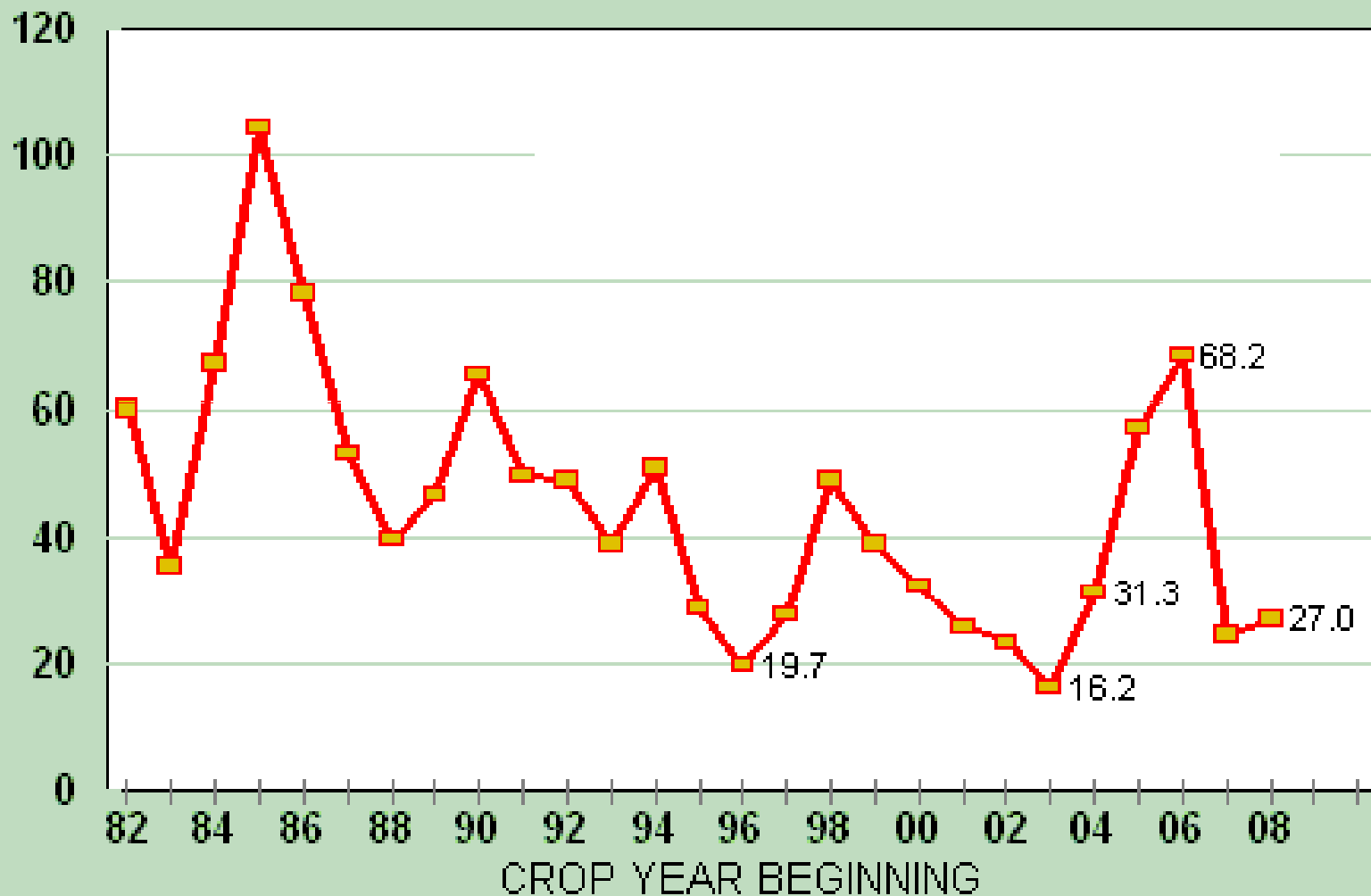
# Corn - COT - Futures and Options CIT

## Commodity Index Trader Net Position

### Number Of Contracts



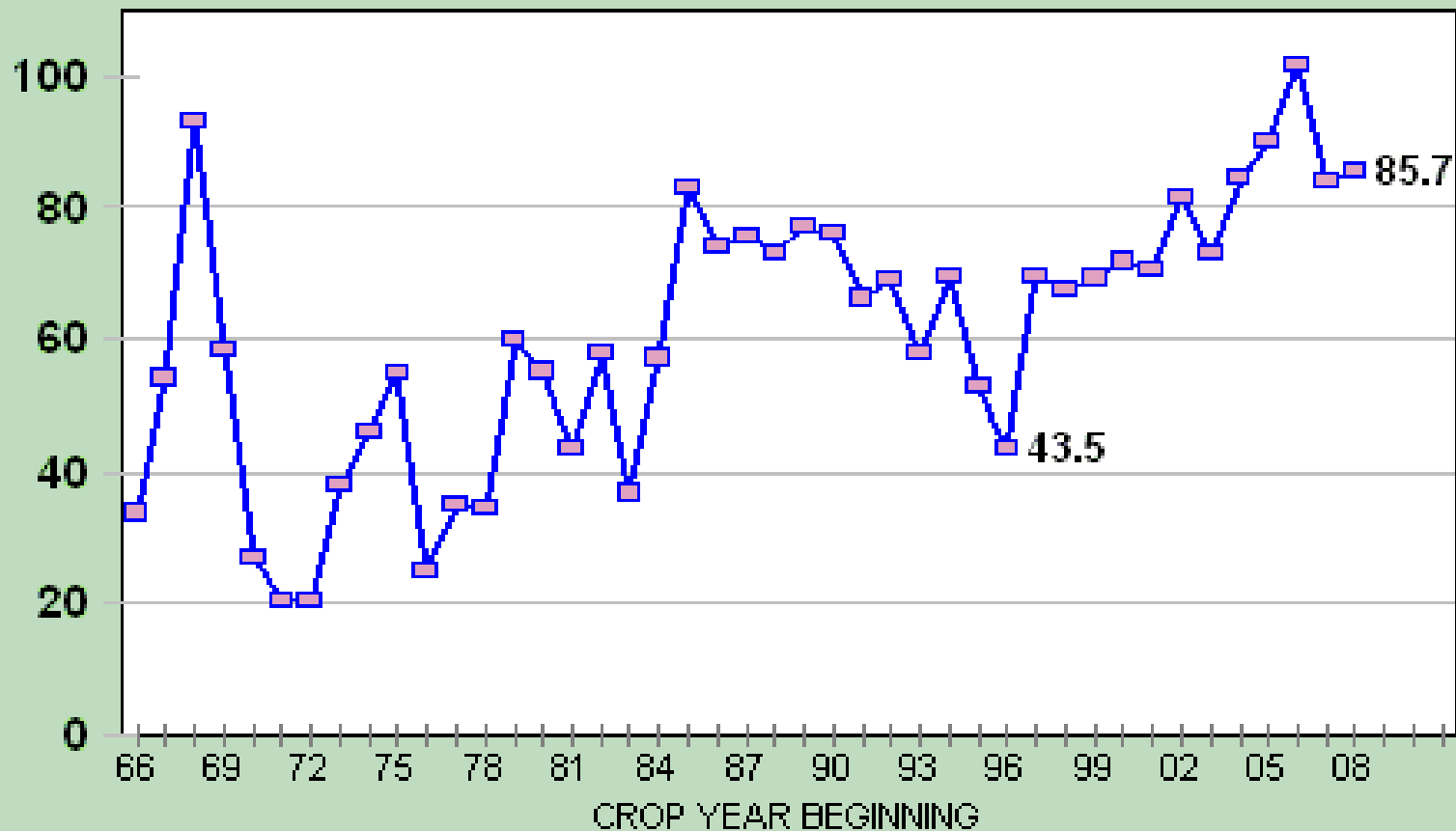
# U.S. SOYBEAN STOCKS: DAY'S SUPPLY



Updated: October 10, 2008

THE HIGHTOWER REPORT

# WORLD SOYBEAN STOCKS: DAYS' SUPPLY



Updated: October 10, 2008

THE HIGHTOWER REPORT

**S X8 [10] - SOYBEANS (DAY)**

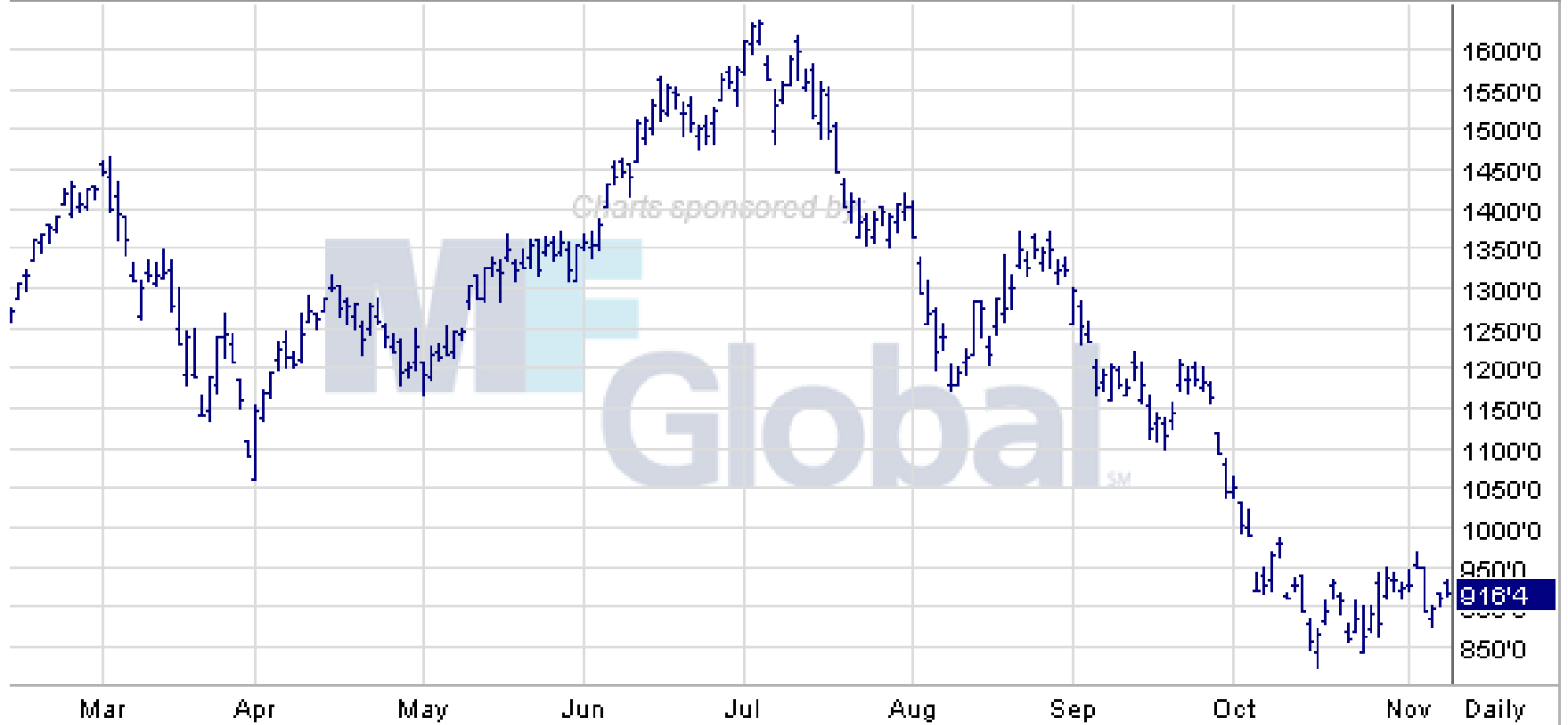
LAST: 916'4

CHANGE: 4'6

HIGH: 933'0

LOW: 915'0

**11/10/2008**



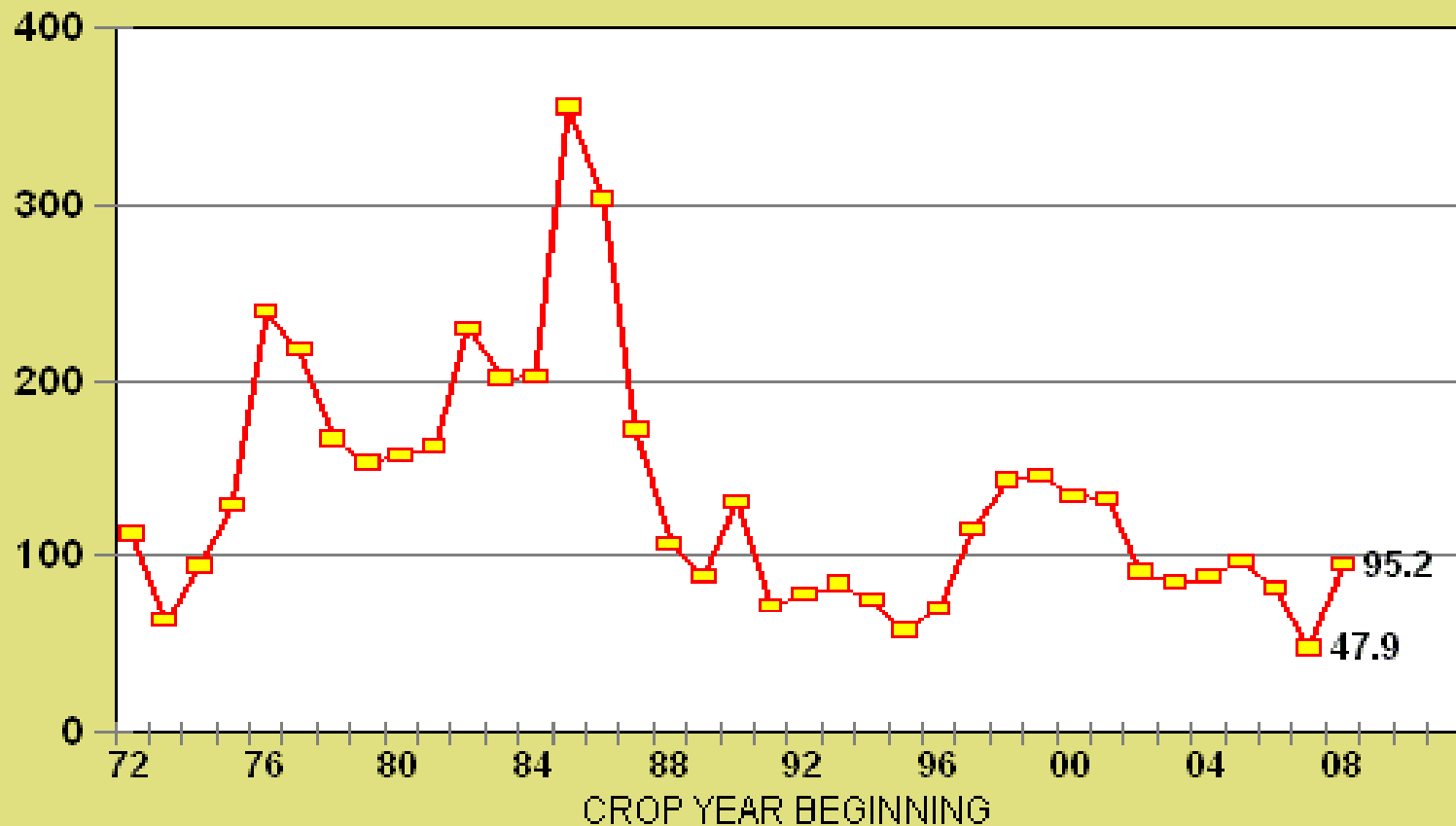
# Soybeans - COT - Futures and Options CIT

## Commodity Index Trader Net Position

### Number Of Contracts



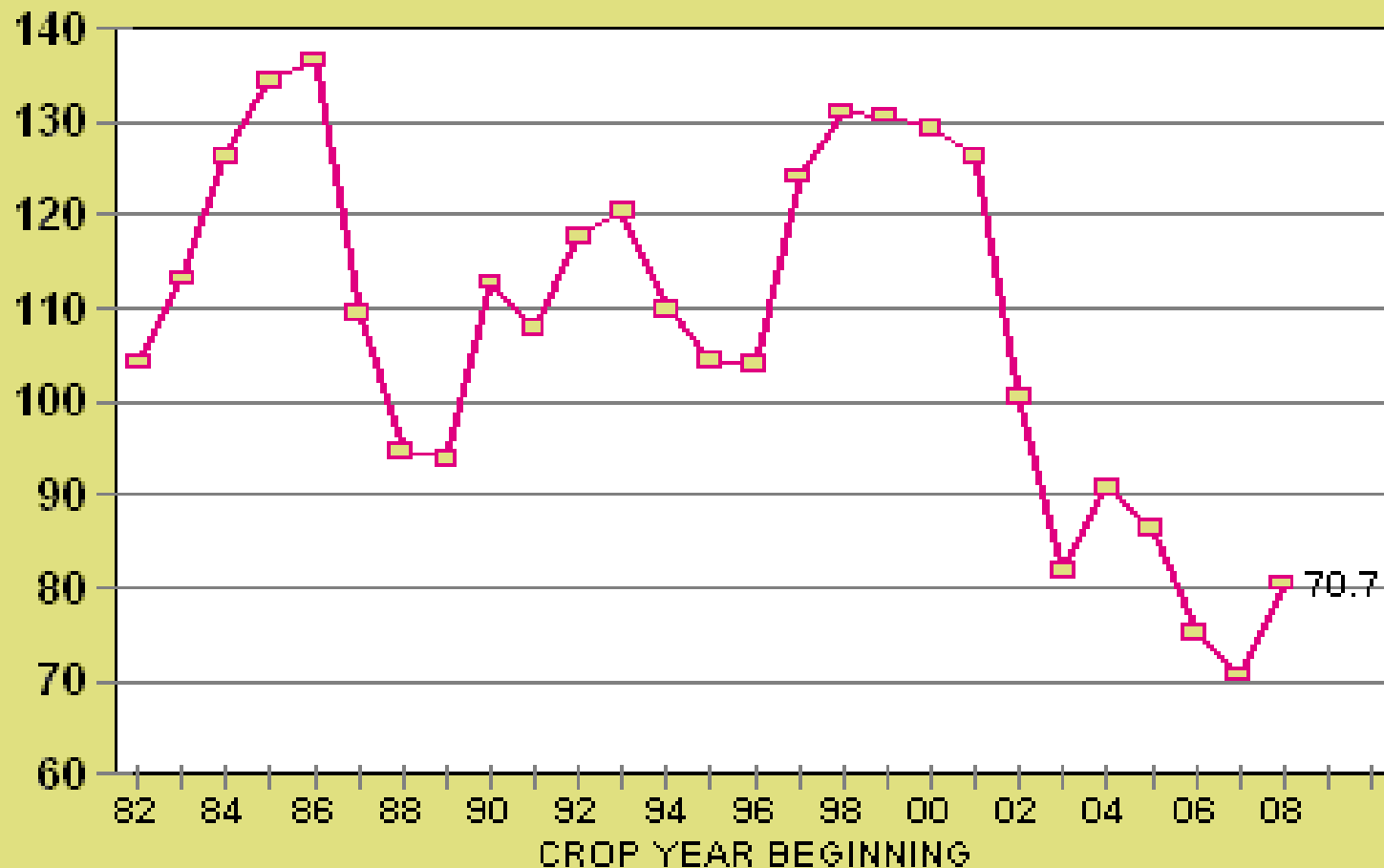
# U.S. WHEAT STOCKS: DAYS OF SUPPLY



Updated: Oct 10, 2008

THE HIGHTOWER REPORT

# WORLD WHEAT ENDING STOCKS: DAYS OF SUPPLY



Updated: October 10, 2008

THE HIGHTOWER REPORT

MW Z8 [10] - HARD RED SPRING WHEAT(DAY) LAST: 635'4 CHANGE: 1'4 HIGH: 652'0 LOW: 635'0 11/10/2008



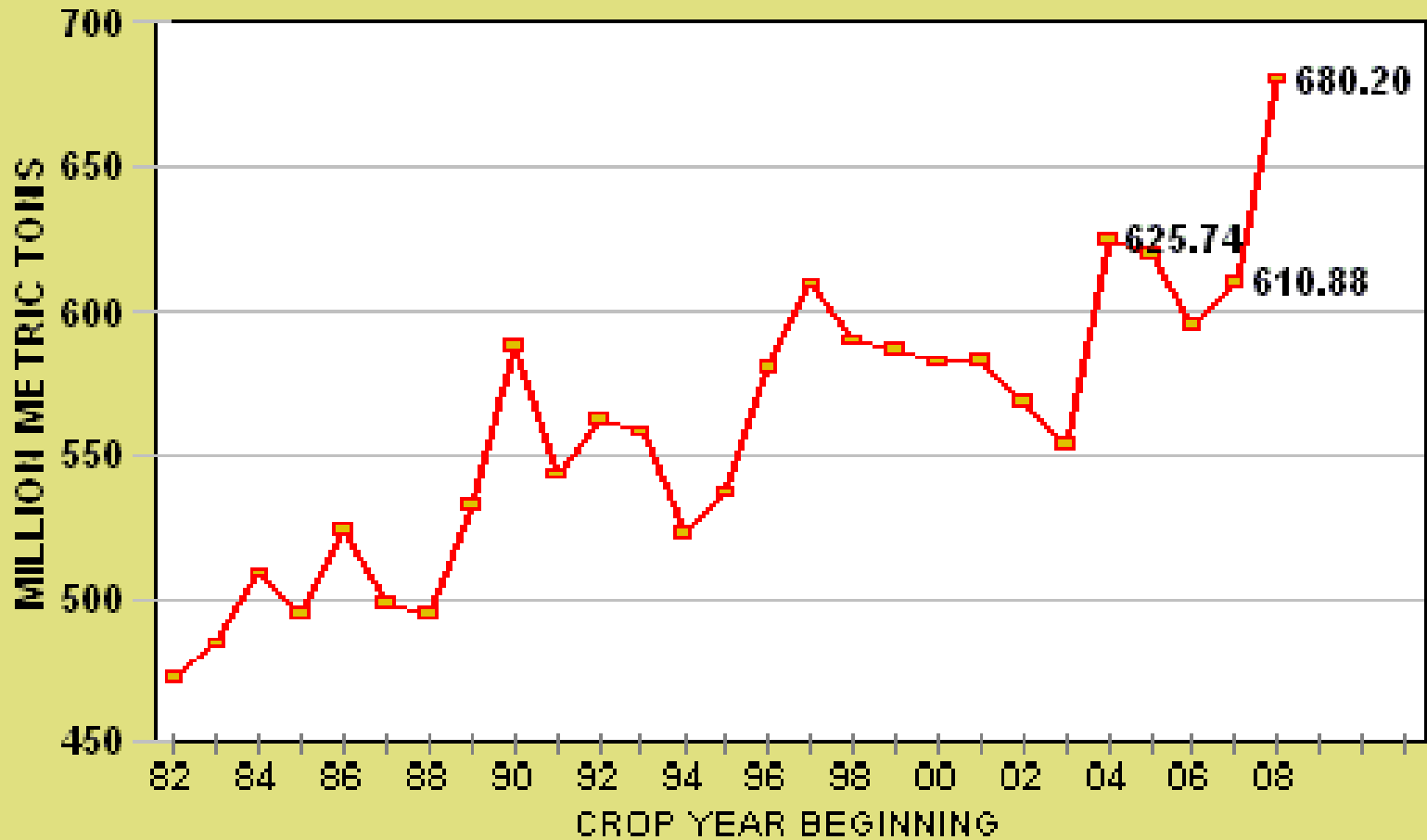
# Wheat - COT - Futures and Options CIT

## Commodity Index Trader Net Position

### Number Of Contracts



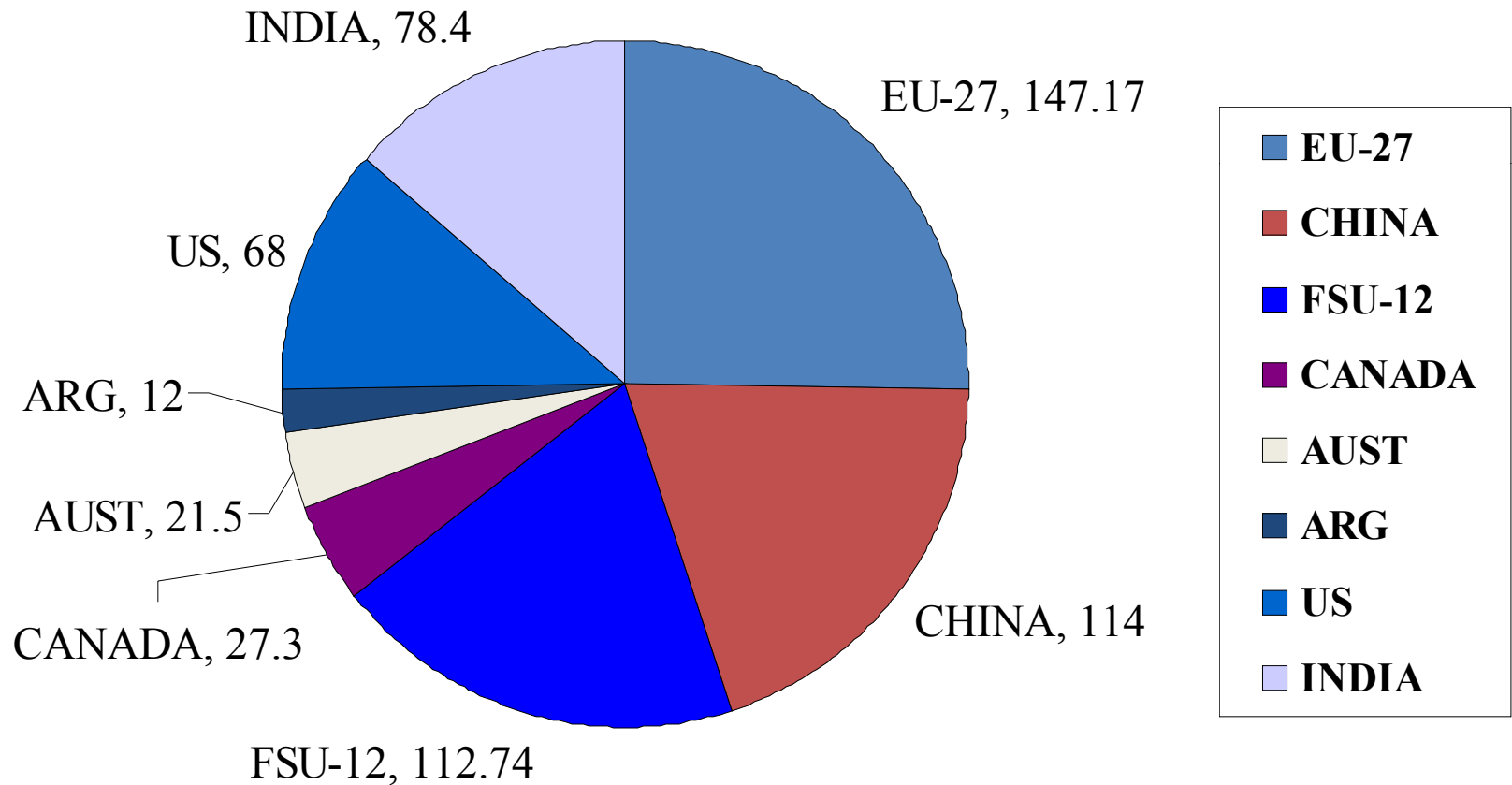
# WORLD WHEAT PRODUCTION



Updated: October 10, 2008

THE HIGHTOWER REPORT

# 2008 WORLD WHEAT PRODUCTION MMT



# Wheat Production in 2008

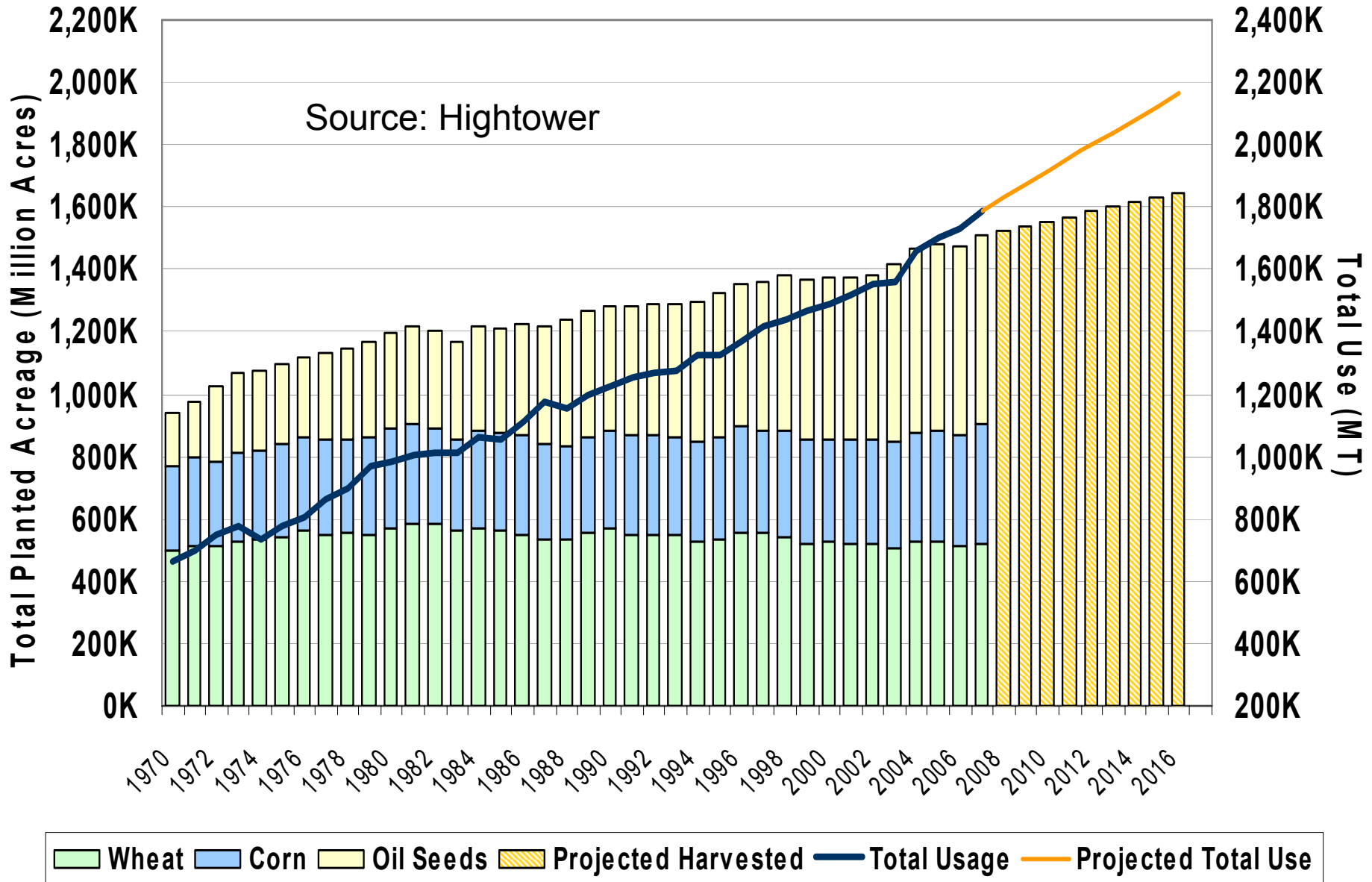
- Australia +65%
- European Union +23%
- Russia +23%
- Ukraine +83%
- Canada +36%
- Argentina -25% to -30%

# Consider This

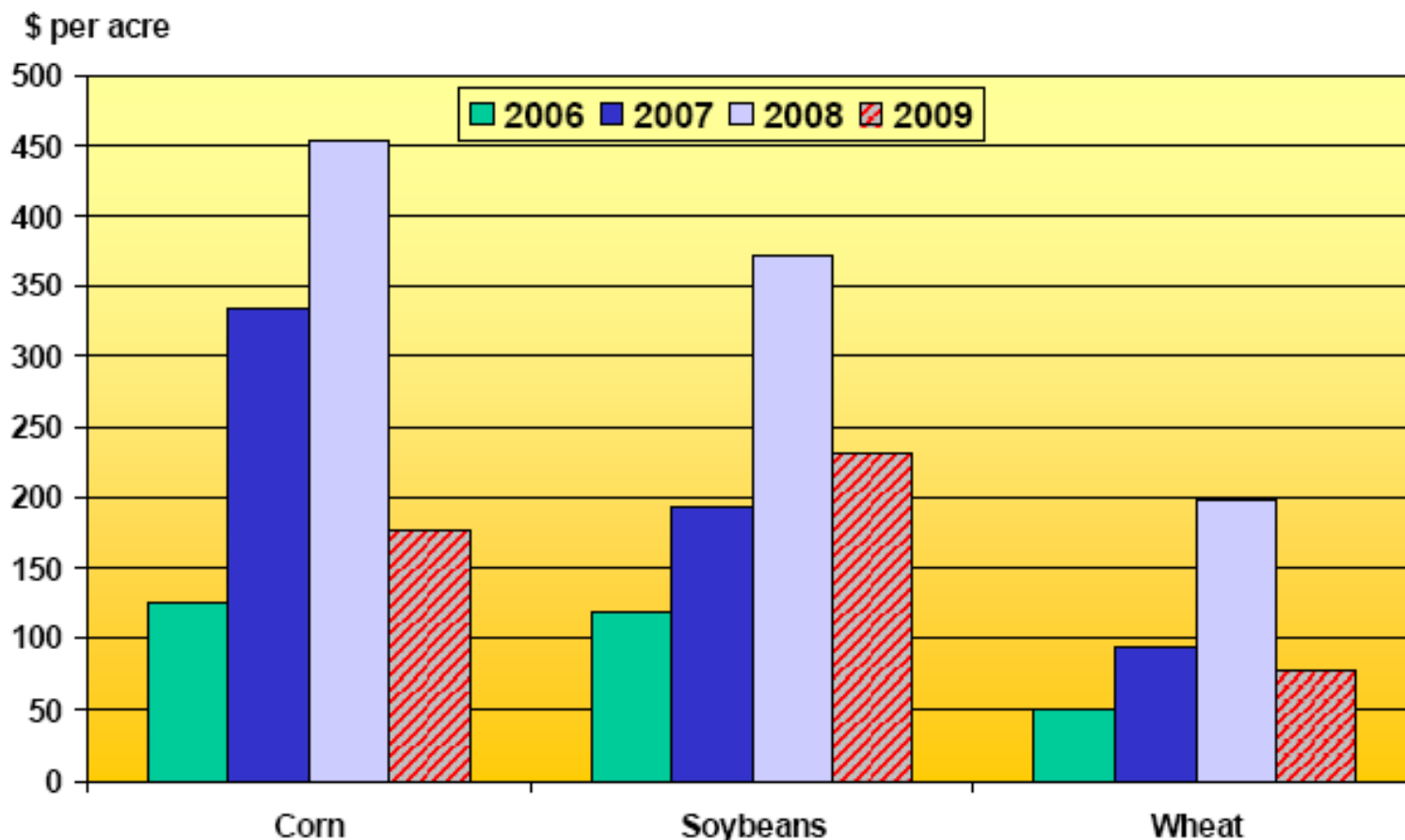
- **Record world crop by 56 MMT's**
- **70 MMT's bigger than 2007**
- **Biggest acres since 1998**
- **Record yield/HA**
- **But:**
  - **2<sup>nd</sup> smallest ending supplies since 1990**
  - **Consumption 656 MMT's this year – 531 in 1990**
  - **Greater % of feed quality**
  - **Protein still short**

# Corn, Wheat & Oilseeds World Planted Acreage vs Total Use

Source: Hightower



## Net Returns Outlook Corn, Soybeans, and Wheat Spring 2006, 2007, 2008 vs. Fall 2008 (2009 crop)



Note: 2009-crop outlook reflects current estimated costs and cash market prices. Net returns are above variable costs.

# What about HRS & Durum?

- **Durum E/S 19 vs 10**
  - Bin bottoms
  - Quality?
  - More blending
- **HRS E/S 136 vs 68**
- **Smaller acres in '09?**
- **Fix HRS basis?**
- **Be patient**

# My Guess for 2009?

- **World wheat crop 640 to 650 MMT**
- **Balance sheet tightens**
- **World feed grain & oilseed balances also continue very tight**
- **World will need big crops in 2009**
- **This is a “liquidation” break in all commodity prices caused by financial crisis**

# Forces Beyond Our Control

- **How deep the economic crisis?**
- **How much will it affect world demand?**
- **When will credit markets ease?**
- **Does crude oil stay below \$75?**
- **Will ocean freight rates stay low?**
- **What about weather in 2009??**



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Krueger*

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