

Allendale Wrap-Up for Business Day 05/03/10

Corn: Percent Planted, Selected States 1/				

: Week Ending :				
:-----: 2005-				
State: May 2, : Apr 25, : May 2, : 2009				
: 2010 : 2010 : 2009 : Avg.				

: Percent				
:				
CO	: 27	9	21	26
IL	: 87	73	5	47
IN	: 71	56	5	30
IA	: 84	68	58	46
KS	: 50	32	31	47
KY	: 83	74	33	59
MI	: 53	32	5	27
MN	: 87	63	56	41
MO	: 73	69	30	53
NE	: 48	23	48	37
NC	: 93	80	86	87
ND	: 44	28	0	16
OH	: 64	45	12	35
PA	: 38	18	20	28
SD	: 31	13	10	16
TN	: 86	82	69	78
TX	: 75	61	75	77
WI	: 51	20	15	22
:				
18 Sts:	68	50	32	40

Corn: Today would have been the third day of trying to remain supported on Chinese rumors and that would have been pushing it. Previously, this market was only holding gains for one day on rumor talk so to expect three days was unlikely. It is not to say that we can't find other factors for support with the large rains in the southeast US being one of them. Our problem with keeping the market supported is that this market has moved a long way to the high side on simply rumors so even with support from the flooding rains this market was still destined lower. A more accurate way to look at the slide today might be that without the heavy rains, this market would have slid even further. Over the past couple of weeks China has come out with real market moving news on a Wednesday. Add into the mix trade was looking for a 70% planting pace number in the afternoon which did nothing to help the corn bulls. Today also saw a significant bounce in the dollar which added a slight bearish tone to the market. Corn bulls do have potential fuel to add to the fire. China could come in with more corn purchases, funds are still barely long this corn market allowing for potential speculative buying and down the road the government may increase the ethanol blend. For those reasons and more there is potential reason to rally but they are just that, potential. Hedgers should take full advantage of what the market gives if this second purchase of corn by China is

confirmed. What some people have mentioned to us that we do not want to hold out for is drought. Right now going out to the 16 day forecast there is no call for long term dry weather and betting on a drought obviously fails much more often than it helps. It would just be easier to hedge too early and get out rather than count on a drought. Corn hedgers need to take advantage of more China sales and corn buyers should look to secure more needs on test of old support of 375 1/4 December or 355 July.

Direction: Strong resistance can be expected at or near the 400 level with support once again to be found near 375 1/4. That keeps corn in a relatively tight trading range in the near term outlook...Ryan Ettner

Working Trades:

- (05/03) Buy July 365, risk 358, objective 382.

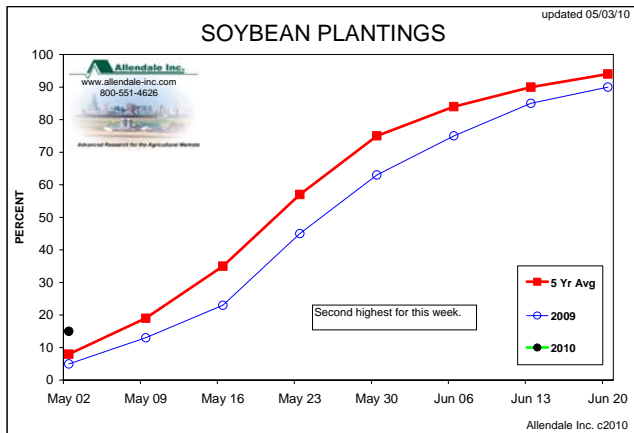
Working Trades:

- (03/24) Bought July 380 call/sell July 440 call/sell July 340 put 4 1/2, risk to -4, objective 19. Closed 6.

*****Disclaimer***** The commentary and trades below are derived from technical indicators provided in our Allendale Advanced Charts pages and may not correspond with the fundamental commentary above.

Advanced Charts Direction: Corn traded above last week's high at 377 3/4 today, but posted a weak close. This rejection of the 377 area is bearish, so we'll place another sell order at 375 and risk to 381. If the market does close above today's high it could see 387 1/2 next...Monica Moehring

Soybeans: It was Thursday that we last saw China purchasing new crop soybeans. Judging by some of the sentiment out there, that seems like weeks away. Instead the trade is turning its attention to USDA's first update on planting progress for soybeans. The trade is expecting USDA to show planting, as of Sunday night, will be 13% complete. That would be the second fastest pace yet for that date. The five year average pace will be 8% complete. Judging by the weather forecast, there will be off and on moisture coming and no significant weather threats. We are hearing of some concern about this weekend's cooler temps but do not have many forecasters suggesting a solid frost will be seen. That is more of a corn issue right now due to emergence rather than a soybean issue though.



Soybean Inspections: Every Monday morning USDA released data in grain inspections for shipment. USDA indicated 7.2 million bushels were inspected last week. That was within estimate of 7 to 12 million bushels. While it is a report of interest we will point out these weekly inspection reports are not that important. We follow the Thursday morning sales reports more closely until July or so. Inspections become important near the end of the marketing year (August 30).

Direction: For long term pricing, later this year, we are clearly bearish. Producers are encouraged to step up to 75% sold on new crop on this current move. On

the trading side, after the crop is established in July or beyond, it is likely all our trading will be done on the short side. In the short term, though the South American crop is growing, that is balanced by contracting US old crop stocks. Good domestic crushing is overshadowing weak old crop exports...Rich Nelson

Working Trades:

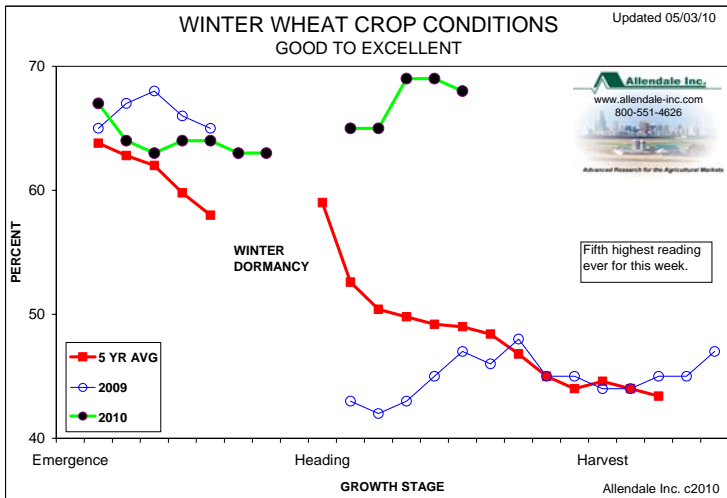
- (04/15) Bought Nov 940 put, sold 1040 call, sold 800 put 18, risk to -25, objective 100. Closed 3 1/4.
- (04/23) Bought 1 November 900 put/sold 2 July 960 puts at even, risk to -17, objective 58. Closed -7 1/4.
- (04/27) Bought July 1000, risk 987 filled 05/03 for **-\$650**.
- (05/30) Sold July 987, risk 998 1/4, objective 970. Closed 986 1/2.

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Advanced Charts Direction: Beans also finished on a weak note today as they settled below 38% and the 100 day MA. This triggered our risk & reverse order at 9.85, so we are now short at that level. We will risk this to 9.91 and look to take profits at 9.72...Monica Moehring

Vital Technical Indicator: The next projected major turn day for soybeans is May 10, soybean meal is May 12, and soybean oil is May 11.

Wheat: The Kansas winter wheat tour is underway with the perception of a high yielding crop with some rust. Final tour estimates are scheduled for release this coming Thursday with USDA providing its estimates on the 11th. The talk within the fundamentals continues to focus on large ending stocks for the 2010-11 marketing year, good soil and crop conditions on smaller acres. This great crop is holding its own as it should be given present soil conditions. It is estimated funds sold an estimated 2,000 contracts of wheat despite bullish weekly wheat inspections. We favor July wheat vs the July corn as a spread trade, support is 107 with resistance at 144.



Direction: We are neutral to futures with a nearby range of 473 to 515 vs the July CBOT contract...Joe Victor

Trading Recommendations:

- (04/29) Sell July Kansas City 491 3/4 stop, risk 13 from entry, objective 476.

Working Trades:

- (04/12) Sold July Chicago 440 put/sold 520 call for 24, risk to 37, objective 0. Closed 19 3/4.

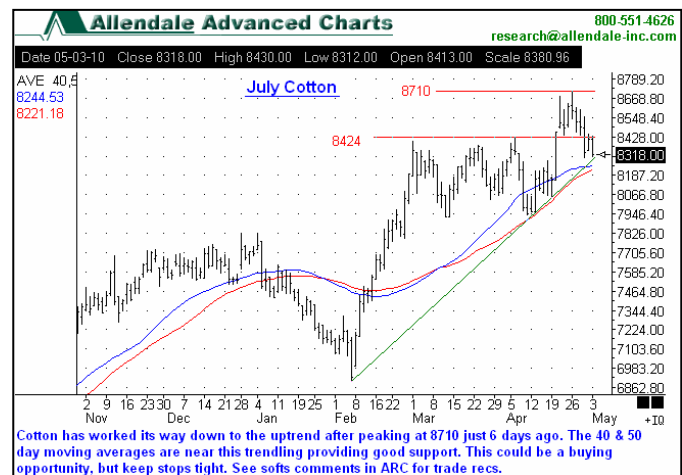
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Advanced Charts Direction: KC wheat continues to trade into a wedge formation on the chart. Since the downtrend has been in place longer we still favor the short side of this market. The 100 day MA is also near the downtrend providing further resistance...Monica Moehring

Vital Technical Indicator: the next schedule projected major turn day in store for wheat is May 10.

Softs: Cotton: Cotton finished the session lower today with recent trade seemingly dominated by unwinding of the old crop/new crop spread. July Cotton is almost four cents off of last week's high while December cotton made another new high for the move yet again this morning. The July contract held its 20 Day Moving Average on last week's low; this converges with the up trend for tomorrow's trade. We anticipate a failure at this key level which will likely push this market to further support, but aggressive buying at current levels will appear to be technical buying at trend line support. Because of this, we are reducing our risk point on our short position. A move above 78.25 in the December contract will be bullish for new crop price potential.



Lumber: Lumber sold off once again today as the charts fell almost \$5. The uptrend was violated today and we were able to close below it. This is a negative sign for the market and we feel rallies could still be sold. Our first objective has been met as we took profit on our short position. We will look to resell this market on a bounce to retest the trend line. No major fundamental news to report on today.

Sugar: Sugar traded the lightest volume we have seen since April 4th. The charts are still in a down trend but today's action gave us no direction. We feel a recovery to the 16.20 area should be a good short term sell. That is near the 20 day moving average and near the down trend. The strong dollar has kept any bullish trade on the sidelines. We will continue to watch the trend for now and look for selling to appear in the short term...Steve Georgy

Working Trade(s):

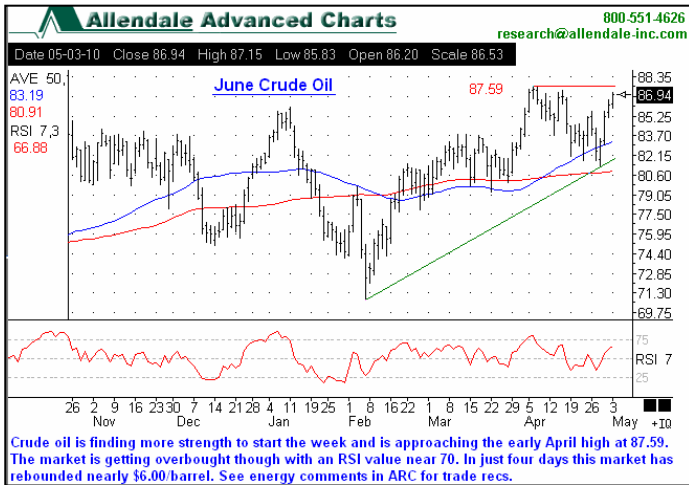
- (4/28) Sold **July Cotton** 84.25, Risk *84.75*, Objective 82.00. Closed 83.23.
- *Note – The entry recommendation for this trade was to sell 84.25 stop. The working price was incorrectly added as 83.54 which has been corrected for today's commentary.

Trade Recommendation(s):

- (4/21) Sell **July OJ** 142.00, Risk 144.00, Objective 131.00.
- (5/3) Sell **July Sugar** 16.20, Risk 17.30, Objective 14.50.

Closed Trade(s):

- (4/26) Sold **July Lumber** 320.00. Objective 305.00 hit for **+\$1,650**.



Energies: June Crude was \$0.04 higher at the close today in a choppy session; last trade was \$86.19. Today’s high was the highest price for spot Crude since 2008. We continue to find support from the oil spill in the Gulf of Mexico; as long as this is a story, it is a reason for speculative money to buy dips. Until the spill is under control, we will see concerns regarding the disruption of offshore production and the possible impact on Crude imports if travel becomes restricted in the major shipping channels. The bailout for Greece also had equities trading higher today after a sharp sell-off to close the week last Friday. This

movement in equity trade also helped support energies even though the U.S. Dollar was higher throughout the session. The trend remains higher and we will continue to look to buy large dips, but the market did reject a new high for the year with a round of profit taking. We feel it is a reasonable risk to sell under \$87 with a risk of a new contract high...Brian J. Splitt

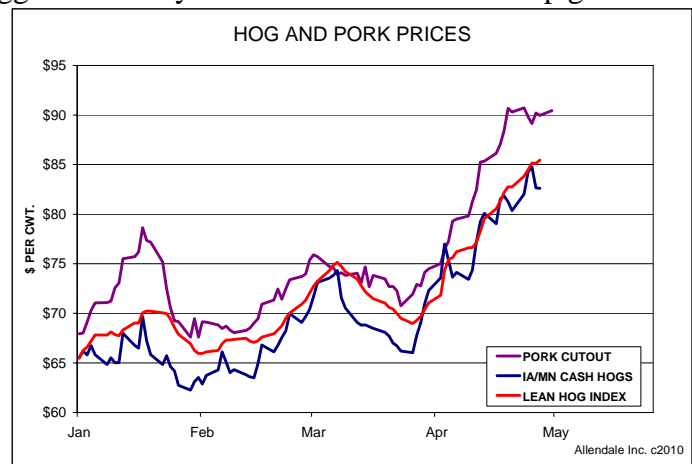
Trade Recommendation(s):

- (5/3) **Sell June Crude Oil** 86.60. Risk 87.60, Objective 81.10.
- (5/3) **Buy June Crude Oil** 83.10. Risk 81.10, Objective 89.10.

Technical Commentary: June Crude Oil is in an up trend. The daily chart shows a “Doji” for today’s session which is when the market opens and closes at the same price. This is often a sign of a short term change in trend. Since the market ran to a test of recent contract highs before making the Doji, it may be a signal of more weakness to come over the next few sessions. Close in support is 85.63 with 84.85, 83.80, 83.00, and 81.30 providing technical support above psychological 80.00 support. A push below 80.00 could lead us very quickly to the long term up trend which currently sits just above 75.50, but last month’s low of 78.84 will be another key area of support. Close-in resistance is 87.15 and provides resistance on the way to the contract high of 87.59. 88.90 and 90.00 provide further resistance on the continuous chart. Stochastics are pointing up.

Copper has broken support at 330.90 today. This triggered our buy order at 331.00 and our stop got hit at 328.00 as well. Next support can be found at 318.05. A close below 330.90 could take the market there quickly.

Lean Hogs: It was good to see futures rebound from the lower morning trade. Traders had been concerned that cash hog prices may not be able to hit that lofty goal that may futures have set up for them. That is because cash hogs started to waffle a little last week and May futures, which expire on May 14, were holding a good premium. Those fears should be alleviated after today. We saw cash hogs on one afternoon USDA report rebound



by \$3.50 today. As we said in previous commentaries, bull runs made by this type of supply restriction will do this mixed trade action for a few days then jerk higher. We hold onto the idea this market has not topped yet. Keep in mind, even in normal years, the typical peak in this run into summer does happen until the mid May. To say a top was put in during the month of April may be tough to do...Rich Nelson

Working Trades:

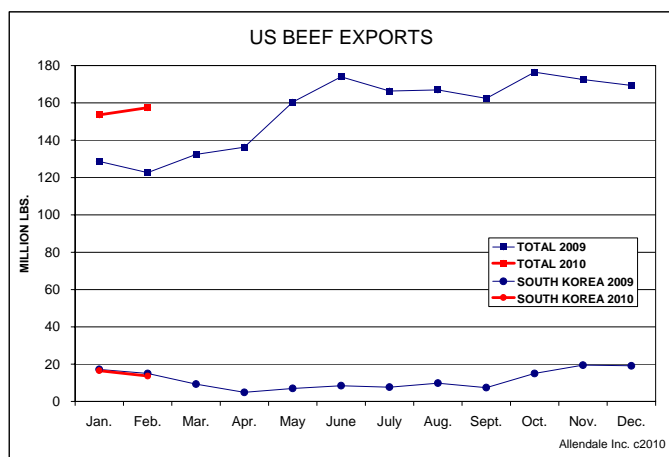
- (04/06) Sold June 80 put 1.30, risk 1.60, objective 0. Closed .55.
- (04/30) Bought June 87.00, risk 85.70, objective 90.00. Closed 86.92.

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Advanced Charts Direction: Hogs rebounded further today and look to be heading towards the contract high again at 87.80. We remain long from 84.50 and will take profits at 87.50. Buying dips seems to be rewarding in this market right now...Monica Moehring

Vital Technical Indicator: Next projected major turn day for lean hogs is May 12.

Live Cattle: One of the reasons the floor circulated for buying cattle futures today was the idea that the Gulf oil spill will impact marine protein production. Without that supply of fish, shrimp, and shelled crustaceans perhaps some of that lost supply would be made up by other proteins. In this case the "other protein" idea was beef. At this point we just do not have solid statistics on aquaculture, the controlled



raising of fish and other water creatures, or from commercial fishing. Commercial fishing is the capture of wild supplies which is the side that would be impacted by the oil spill. The other issue, which we can believe, was that new foot and mouth disease findings in South Korea would lead to larger imports of US beef. Developed Asian countries are sharply conscious of meat safety. If South Korea is having FMD problems in its main beef production areas, then it is likely they will increase imports. South Korea was our fifth largest export market last year. They picked up 8% of our exports. Being realistic, it is not like our exports to

them will double or anything on this news. It will help slightly though. In the big picture, yes you can draw a little support from the two pieces of news noted above. Having said that, we will note Kansas traded cash cattle today at \$98. While futures were still seeing green, cash cattle are still seeing red...Rich Nelson

Trade Recommendations:

- (05/03) Sell June 98 call 1.25, risk 2.00, objective 0.

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Advanced Charts Direction: Cattle found a good deal of strength today as they shot up towards the contract high at 96.30. This reaffirms the current uptrend. We will move our buy order up to 94.00 and risk to 93.00. If the contract high holds, we may look to get short instead...Monica Moehring

Vital Technical Indicator: Next projected major turn day for live cattle is May 14 and for feeders is May 19.

For more technical information, including charts and trade recommendations, please visit the Advance Charts section of the Allendale Research Center.

As always, if you have questions or comments, please call 800 551 4626 to discuss or send an e mail to research@allendale-inc.com

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