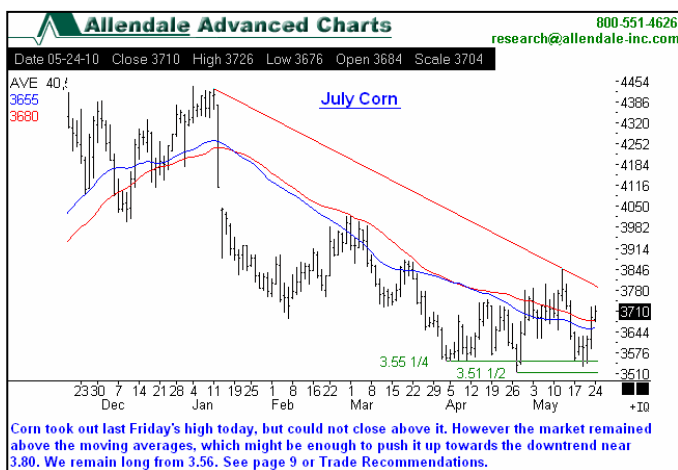


Allendale Wrap-Up for Business Day 05/24/10

Corn: At first hand corn may have appeared to have a strong day. Through most of the day this market continued to grind higher so who could argue? At first look we would agree the only issue there was with today's gains is that it was done on such low volume. When you put the last two trading days together what you get is exactly the same pattern we have seen for some time now. Friday this market quickly moved 10 cents higher at one point. This was all trading through areas we had covered before. We have traded through that 380 level in December countless times before so buying up through that level was relatively easy. Today was better test. Sure we can breeze through the 80's but how does corn act when you get to the top end of the range in the 90's? What we saw today was a slow grind higher that struggled to even get into the 90's. Two main reasons can be seen for this. First, as was mentioned earlier it was a slow day, secondly this market has shown again that reaching the top end of the range slows this market down. This is why we have chosen to sell 392 the past couple times. If we are going to sell we might as well pick a level that is backed up by other hedging. What we now need to look at is Tuesday trade. Last week that day saw spec buying as traders started buying corn ahead of the now anticipated China buying



news. Expect trade to treat Wednesday morning's as they do a USDA report. Traders will position themselves the day before rather than waiting for the news and reacting. This can present us with a potential higher day again tomorrow that we may need to take advantage of. If the latest news calls for China buying 3 to 5 cargos and they come in buying just 2 then expect some disappointment selling Wednesday. That sets us up for what to expect the next couple days. Of course anything can come out of left field but it will need to be something major to break 400. Some bullish news on the supply side would be our best guess for breaking that level. As of right now, we look for recent resistance to hold.

Direction: Resistance is still 400. Support is now down to 367 but the 373 area held well last week. Working higher from current levels will become increasingly difficult as we approach the high end of the sideways range...Ryan Ettner

Trade Recommendations:

- (05/21) Buy July 366, risk 356, objective 380.

Working Trades:

- (05/19) Sold September 330 put 8, risk 15, objective 0. Closed 6.

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Advanced Charts Direction: Corn took out last Friday's high today, but could not close above it. However the market remained above the moving averages, which might be enough to push it up towards the downtrend near 380. We remain long from 356...Monica Moehring

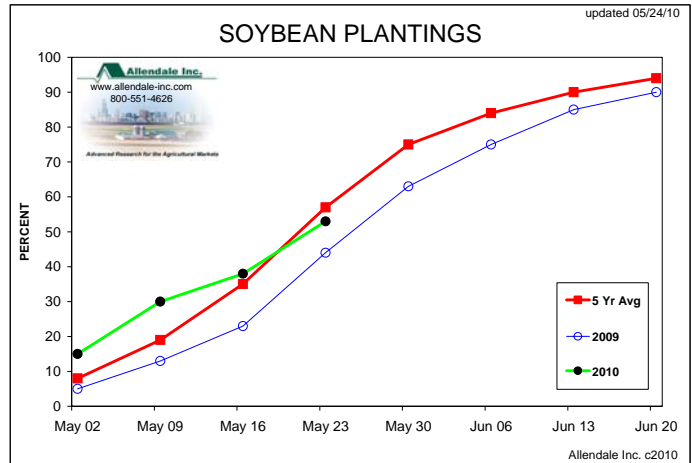
Soybeans: There was not too much news today to drive prices. We started out with a strong futures tone due to a strong cash market (we have been talking all last week how the cash basis rallied 20 cents while the futures fell 65 cents) and rumors of more China buying. Last week China did buy more new crop but NONE of the rumors about old crop buying have ever been confirmed. There was also talk that this afternoon planting report would be bullish. USDA did report 53% of the crop is planted v 57% normal. The MO-TN belt is the most behind schedule by about 1 week in real terms. This could reduce some yield

potential but there is little statistical evidence to support that statement. Nationwide, planting is behind but the 10-14 day weather forecast supports field work. Thus we are sure that today's 4% lag is not a significant statistic. Emergence is 24% v 23% normal so we see soil conditions as supportive to a growing crop (once you get it all planted). The macro influence today was definitely bearish as the dollar was up 70-90 points all day on concerns of contagion from Europe's economic woes. But traders seemed to distance themselves from today's outside influences. Markets closed on the low. Watch the dollar. Since we believe weather is a little negative to markets, we would be selling against 950 resistances as long as the dollar is not reversing down.

Direction: We are short with a 925 and 914 objective. If the market takes out 950 and we are stopped out, we are looking to sell against the bigger resistance at 960-970. Longer term (by fall) we expect the 800 area will be tested with good weather. As for producers, you should be 100% sold on old crop and 75-100% sold on new crop. If you are not, call us and we will be happy to help you get on a box or 3-way option position now...Bill Biedermann

Working Trades:

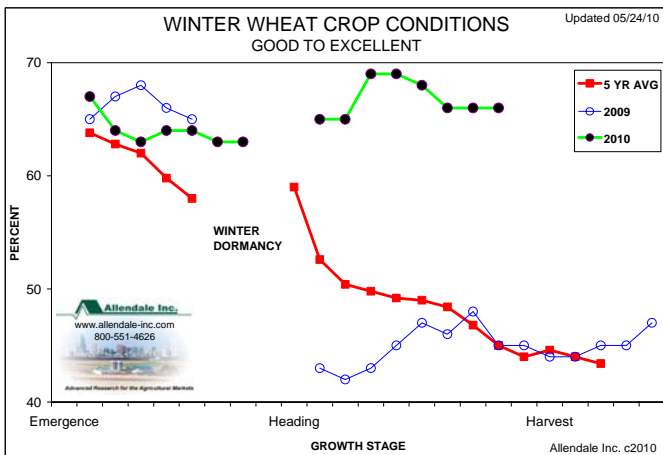
- (04/15) Bought Nov 940 put, sold 1040 call, sell 800 put 18, move to 5. Objective 100. Closed 34 1/4.
- (05/17) Sold July 944 1/2, risk 958 1/2, objective 914 1/2. Closed 940 1/2.



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Advanced Charts Direction: Beans tested the short-term downtrend today and fell back into the close. Our sell order at 950 was filled on this strength. Support remains down at 930 and 920. If the trendline gets taken out we may see the moving averages get tested near 970...Monica Moehring

Wheat: The winter wheat harvest is about to begin in 2-3 weeks with most eyes on protein levels in the southern Plains. USDA has chimed in with larger US and global stocks higher than the previous marketing year despite planted acreage which is down and end stocks to use the likes we have not experienced since the 1987/88 marketing year of 47%. Add to the harvest talk, a declining US stocks market and higher US dollar vs the weakening Euro and you can see why wheat futures remain under



pressure. Thank goodness traders continue to have the corn and wheat attachment vs the protein market. International news was limited to China's production expectations which if realized will be slightly less than year earlier levels and yet above usage levels. US winter wheat conditions came in unchanged vs last week's 66% good to excellent and throughout the initial 70% of harvest to be viewed as bearish. Spring wheat plantings of 91% are identical to its five year ave and the first condition ratings of 85% good to excellent provides a Dow Jones spring wheat index of 105.2 vs 103.7 one year ago. Fundamentals remain bearish for US

wheat futures and long options.

Direction: We are bearish to CBOT SRWW with a nearby range of 460 to 496 vs the July contract. Resistance for the July KCBT wheat is 507 with support at 473 and MGEX July resistance at 521 and support at 493.....Joe Victor

Trading Recommendations:

- (05/14) Sell September Chicago 520 call 16, risk 29, objective 0.
- (05/24) Sell July 489, risk 500 3/4, objective 467.

Working Trades:

- (04/12) Sold July Chicago 440 put/sold 520 call for 24, risk 30, objective 0. Closed 10 1/2.

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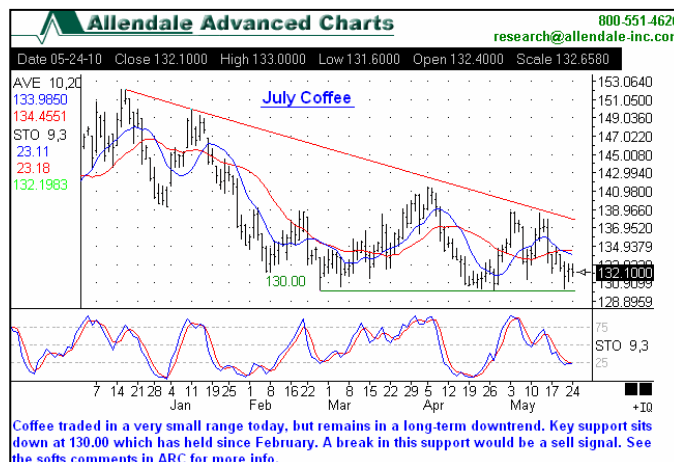
Advanced Charts Direction: KC wheat posted an outside day down on the chart today. The long-term trend remains bearish, but stochastics have turned up, so the short-term uptrend may play out for a bit here. There could be a buying opportunity against this trendline...Monica Moehring

Softs: The dollar was very strong today and posted a better than 90 cent gain. This had put pressure on the soft markets and could continue to do so if the rally continues. We are looking to sell strength over the next few sessions. The dollar will continue to be an indicator for market direction.

Cotton: Cotton broke 49 points today and was not able to push above resistance again today. We are looking to sell the July contract if we can see a retest of 84 cents. The charts are also showing a nice looking head and shoulders pattern that could project near 76 cents. The charts are also showing a nice sideways range were you can sell near 84 cents and buy near 80 cents. With a strong dollar we will look at selling rallies but carry a close stop.

Sugar: Sugar is in a short term uptrend and could see a rally to the 17 – 17.50 area. We were stopped out of our short position last week and will stand aside for now. The charts are overbought and could signal a pullback at any time. You should look at buying pull backs now that the trend has changed and risk a move below the current lows.

Coffee: Coffee is coming into a seasonal selling period for those seasonal traders. The charts are also showing a possible head and shoulders formation that could project to 110.00-115.00 area. We are looking at selling on a stop below the recent range. Support comes in at 130.00 and our order will be 129.50 on a stop. That means we need to break support before we get short. The charts agree with the seasonal patterns and we feel this is the best way to participate...Steve Georgy



Working Trade(s):

- None

Trade Recommendation(s):

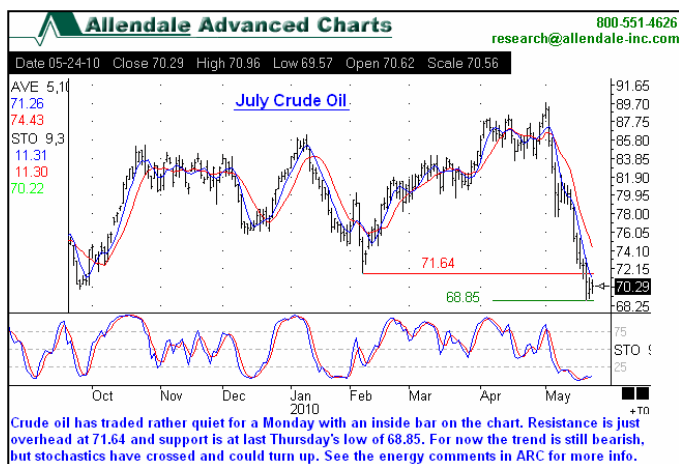
- (5/17) Sell **July Cotton** 84.00, risk 86.10, objective 81.00
- (5/10) Sell **July Coffee** 129.50 stop, risk 133.50, objective 123.50

Energies: July Crude Oil closed \$0.17 higher for the day at \$70.21. After dropping from a high of \$89.77 in early May, July Crude Oil made a low of \$68.85 last week. Watching Crude oil drop \$20 is enough to make some traders step in to buy, but the European debt crisis still hasn't resolved itself and it should continue to be the main driver behind larger price moves. There is still obvious concern over

what's happening in Europe which is evident by the today's rally in the U.S. Dollar, especially coupled with the large drop in the Euro. Equities also struggled to maintain higher trade today before ultimately dropping into another triple digit loss for the Dow. We don't want to get sucked in to guessing where Crude may bottom short term and will instead look for a spot to sell when the seemingly inevitable recovery rally fails...Brian J. Splitt

Trade Recommendation(s):

- (5/24) **Sell July Crude** 78.70. Risk 81.70, Objective 70.70.



Technical Commentary: Crude Oil is a market that is trending higher long term, but trending lower in the short term. The short term down trend is so steep that we have a hard time using it as a guide to sell against and feel it will be violated on the eventual recovery bounce. Crude is very oversold and due for a bounce, but this initial bounce should be seen as a selling opportunity and a correction of the move made in the past three weeks. Close in support for July Crude Oil is last week's low of 68.85. 66.10 is a further bear target if the liquidation continues. Close-in resistance is 71.10 and 71.65 with 73.50, 74.65, 76.00, 77.50,

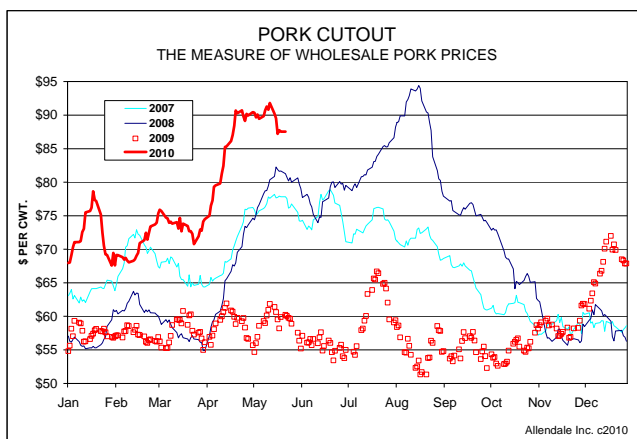
and 79.00 providing resistance up to 80.00. 80.80, 82.00, and 84.50 will provide resistance on a push through 80.00. Stochastics are oversold and sideways.

Working Trade(s):

- (5/24) **Sold July Copper** 309.50. Risk 315.50, Objective 294.50. Closed 314.75.

Lean Hogs: It was good to see futures resist the urge to break in sympathy with cash hog markets. The Iowa/Minnesota run lost \$2 on Friday and another \$2 on the morning USDA report. One good factor was Friday's Cold Storage report. It noted stocks were 21% below last year at the end of April. Keep in mind stocks are nowhere near as important in meats as they are in grains. The message is clear though, low pork production and low stocks puts the supply side of the price equation solidly bullish.

Direction: In 2008 cash hogs were bottomed on June 12 for their rebound into summer. In 2007 the bottom was on June 8. Because this year's May peak was a little earlier than normal perhaps the June bottom will as well. We will start to take an aggressive long position in a week or so with the June and July possibly getting back to the \$85 to \$86 region on a conservative basis...Rich Nelson



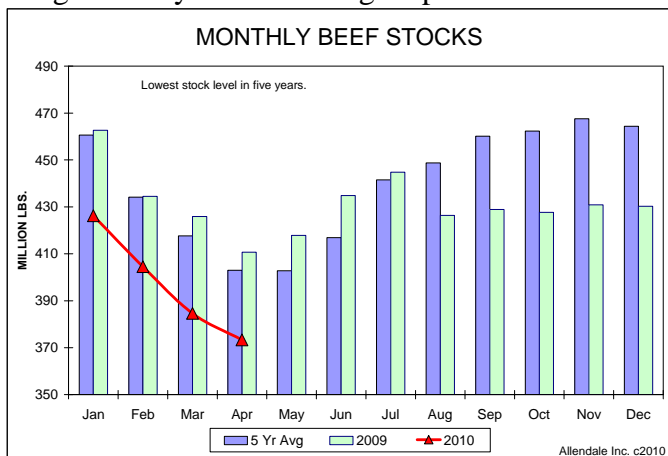
Trade Recommendations:

- (05/19) Buy July/sell December 11.00, risk 9.80, objective 13.75.

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Advanced Charts Direction: Hogs rebounded a bit today and settled above the 100 day moving average. Stochastics are turned up and the gaps from March have been filled. Technically all signs are pointing up in the hogs now, but will we see follow-through tomorrow?...Monica Moehring

Live Cattle: USDA's summary of last week's cash cattle report indicated the average price was \$97. That implied those early week \$98's were only made on light volume. Having said that \$97 price, it is interesting to see feedlots are asking \$95 to \$97 while bids are \$93. In other words, feedlots are already pricing in lower trade. In general, cash cattle should fall straight into mid July or so. One piece of good news is August futures already have our expected \$90 cash cattle low for summer priced in. Another good thing is Friday's Cold Storage report indicated beef stocks were at five year lows. That is one of the



factors that are considered when we note beef supply per US consumer are at very low levels. Demand in the middle of these unemployment problems is bearish. However, at some point this year employment, and beef demand, will improve. That is why we are only limiting our bearish cash cattle viewpoint to the normal decline into summer. From that point we will likely begin discussing longer term bull factors.

Direction: Our cash cattle target is \$90 for a summer low. That makes a \$91 August futures. In other words, futures may already have this factored in...Rich Nelson

Working Trades:

- (05/05) Sold June 98 call 1.25, risk 1.25, objective 0. Closed .10.
- (05/14) Sold August 98 call 1.20, risk 1.80, objective 0. Closed .60
- (05/19) Bought August 90.60, risk 89.40, objective 93.10. Closed 90.20.

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Advanced Charts Direction: Cattle posted another inside bar on the chart today as the 100 day MA kept the market from moving higher. This could be a pause in the recent downtrend, or a bottom possibly forming. We would sell up near resistance at 92.50....Monica Moehring

[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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