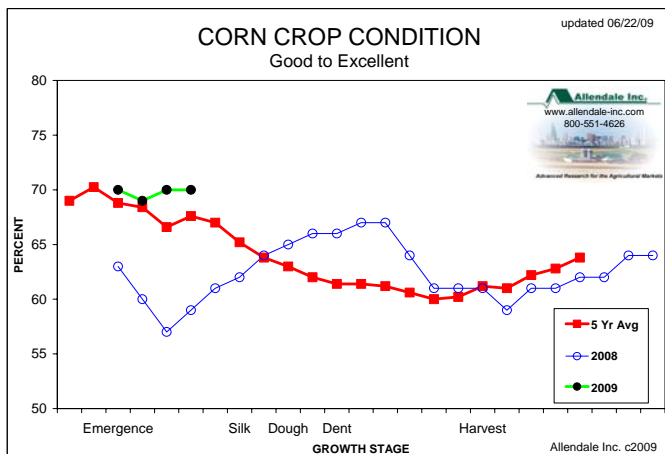


Allendale Wrap-Up for Business Day 06/22/09



Corn: There are quite a few “long term” issues that are bullish for corn. USDA guessed earlier this month that new crop ending stocks would drop down to 1.090 billion. Next Tuesday we will drop acres. That likely gets us very close to the 1 billion bushel mark. You also have questions about yields. Though western cornbelt farmers are seeing a very good start to the season, no one knows how well the east is. USDA has been proactive here and has knocked yields down from their 156.9 bushel trend yield discussed at their February outlook conference down to 153.4 bushel figure they posted this month on the 10th. There is a good chance you

will see new crop ending stock numbers below that 1 billion bushel mark at some point this marketing year.

Short Term: The problem facing bulls here, and we can put ourselves into that group, is the fact these are “long term” issues. We can talk all we want about how things will change “eventually”. The key thing that beats this market over the head almost daily is the fact that “right now” the crop is doing fine. “Right now” the weather shows beneficial heat creeping in along with off and on rains. “Right now” we are gaining bushels and not losing them. It is very likely that the eastern cornbelt conditions will begin to unravel once a serious stress is placed upon it.

Crop Progress: In our conversations with clients there is a clear divergence in ideas of how much further this price break can go. This is a clearly defined regional issue. The changes in the top western cornbelt states this afternoon are...Iowa +3, Nebraska +1, Minnesota +4, South Dakota +1, Kansas +3, and Missouri -5. We also have to point out Iowa and Nebraska are at 81% and 83% good to excellent respectively. A look at the top eastern cornbelt states tells a different story. The changes from last week are...Illinois -4, Indiana -4, Ohio +1, Wisconsin +2, and Michigan -2. The top two eastern states of Illinois and Indiana are 51% and 62% good to excellent respectively. In the short term, the trade must respect the fact OVERALL ratings remained unchanged at 70% good to excellent. Normally the crop is 68% good to excellent this week. In the short term bears are in control. However, can we reach normal yields when the #2 corn producer (Illinois) is rated at a ridiculous 51% good to excellent? Slow down and read that last sentence one more time and let that roll around a bit. We all know it is too early in the crop year to start crying wolf. Heck, last year was a great example of that. We had a terrible problem early on and perfect weather healed most of the wounds. However, WHEN (NOT IF) crop conditions start falling more than they usually do, this market will take notice.

Direction: In the short term bears are running the show due to improved weather. We have taken a chance with a short term buy for trading positions but are not ready to take a stand with a big long term buy with futures. The only long term bullish position we feel comfortable with right now is with the 3 way option noted below. We will want to take a stand and get long term bullish corn at some point. That point is not yet. Producers are encouraged to hold the hedge position currently on. Lastly, we must point out corn prices are back to where they were almost two months ago. There may be a point where we begin to encourage USERS of corn (livestock/ethanol) to start longer term procurement operations for corn. Stay tuned...Rich Nelson

Trade Idea(s):

- (06/22) Bought Dec 408, risk 394, objective 425. Closed 405 1/2.

Option Strategy(s):

- (01/23) Bought Dec 410 put @ 51. This as a starting point for a position to be built as the market moves. Closed 39 1/8.

- (06/19) Bought Dec 500 call/sold Dec 600 call/sold Dec 350 put for -2 cents (a credit), risk to -16 cents, objective +28 cents. Closed -7 5/8.

Corn Technical Commentary: Corn plunged again today and broke the long-term uptrend that started last December. The market is now in oversold territory though and could be ripe for a corrective bounce. Next support is the DB at 3.70.

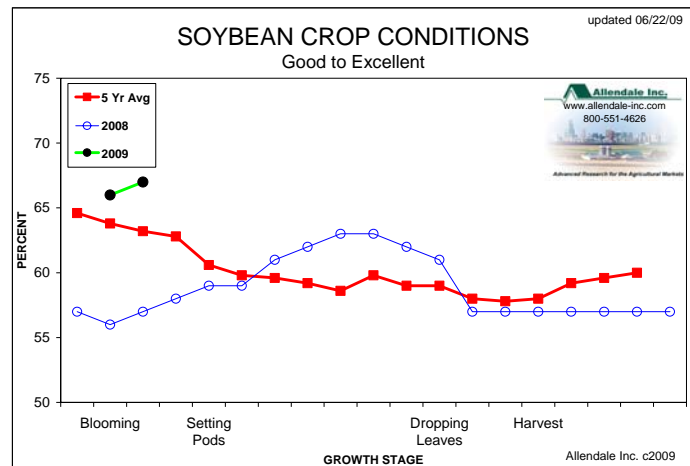
Vital Technical Indicator: the next projected major turn day is June 26.

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

Soybeans: Another day of sharp selling was seen today. This bearish break is taking about the same route as others in that it takes almost half to the time to drop prices as it does to rally.

Unlike corn, there really is not much of a dispute about fundamentals here. Acres will be added next Tuesday and we feel eventually USDA will drop their new crop export expectations.

Crop Progress: The one thing that soybeans have similar to corn is the fact “right now” crop conditions look good. USDA added 1% to nationwide ratings at 67% good to excellent. This is better than the 63% five year average for this week. In the short term, crop ratings are bearish.



Direction: We are short via options and will hold the opinion this is a clear bear market. Producers should not only be holding current hedges but adding to them. Based on what we know now, buyers of soy products have little reason to be concerned about procurement this year...Rich Nelson

New Crop Hedges: On the Hedge Advice page of this report we are adding to our current position. Take a look at it yourself and take action.

Trade Idea(s):

- (06/18) Stand aside.

Option Strategy(s):

- (05/14) Sold Jul 1040 put 16 3/4, risk at 16, objective 0. Closed 3/8.
- (06/09) Sold Nov 1240 call/sold Nov 800 put 62 1/4, risk to 90, objective 20. Closed 48 1/2.
- (06/16) Sold Nov 1220 call 45, risk to 65, objective 0. Closed 30 1/8.

Soybean Technical Commentary: Beans also broke down further today as they settled below 38% retracement and the 40 day MA. The current uptrend crosses near 50% and the 50 day MA, making this a key support area at 11.33.

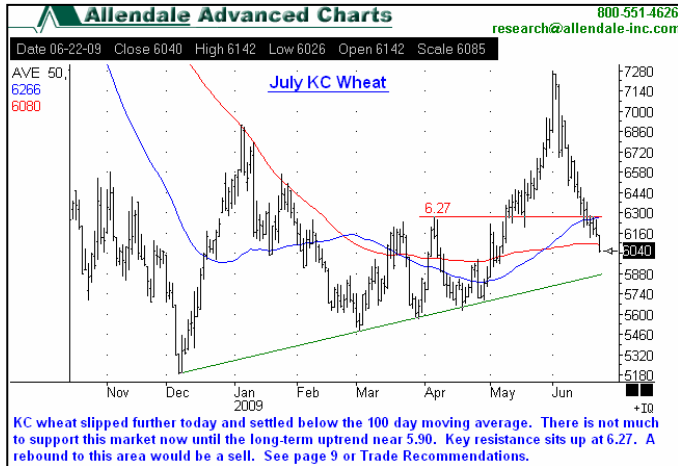
Vital Technical Indicator: the next projected major turn day for soybeans is June 29, soybean meal is June 26, and soybean oil is June 30.

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Wheat: There are a few things just now showing up which may concern us about wheat supply. You have some people suggesting some areas got too much rain in the central and southern plains. You have above normal temps hitting at the same time as below normal precip later this weekend. You also have Alberta Canada looking to dry for development and Argentina too dry for planting.

Crop Progress: No one will argue about USDA's 1% gain in ratings for winter wheat. A little rain here or there and a little dryness will help finalize wheat maturity. The crop is a little behind in the harvest (20% vs. the 31% five year average) but at this point no one is concerned that it won't get done. There may be a surprise or two on the spring wheat numbers. USDA upped the good to excellent rating by 2% and is now at 77%. The normal average for this week is 71% good to excellent. This is another case for pointing out the "right now" mentality vs. what is reasonable over the long term.

Direction: One thing different about wheat here is even if yields fall as we progress into harvest, where should prices go? We had too much wheat around before harvest started and will likely have too much after it is complete. We are cautiously bearish wheat...Rich Nelson



Trade Idea(s):

- Chicago Wheat: (06/16) Stand aside.
- KCBT Wheat: (06/11) Sold Sep 652, objective 620 filled 06/22 for +\$1,600.
- Minn Wheat: (06/16) Stand aside.

Option Strategy(s):

- (06/09) Sold Aug 700 call 20 1/8, risk at 17, objective 0. Closed 3 1/4.

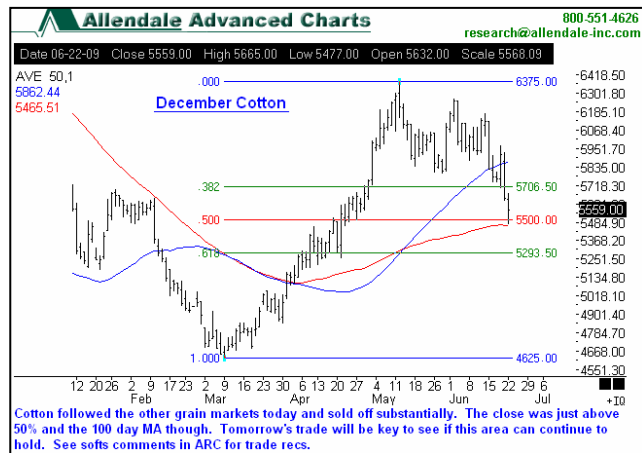
Wheat Technical Commentary: KC wheat slipped further today and settled below the 100 day moving average. There is not much to support this market now until the long-term uptrend near 5.90.

Key resistance sits up at 6.27. A rebound to this area would be a sell.

Vital Technical Indicator: the next schedule projected major turn day in store for wheat is June 25.

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

Softs: The soft markets closed mixed today with sugar finishing 17 points higher in the October contract. Technically, we had an outside day up on a chart that could project to higher prices if we see follow-through tomorrow. Fundamental news was very limited today but technical buying supported the market early. December cotton broke into new recent lows with follow through selling from Friday's sell off. The charts are still looking negative with funds selling commodities and the charts looking for a pull back to the 52.50 area. Cotton could get caught in this selling pressure if the market attitude is going to remain in the tank. Keep an eye on the crude and the dollar for money flow in commodities.



September coffee has a small bounce today but was in a very tight range. We are still in a down trend and could continue the lower pattern that we have been in since it topped June 2nd. We feel rallies are still selling opportunities but be careful of the oversold conditions. The next downside target for the September contract is 115.00. September closed at 120.45 but has resistance just above the market...Steve Georgy

Trade Recommendation(s):

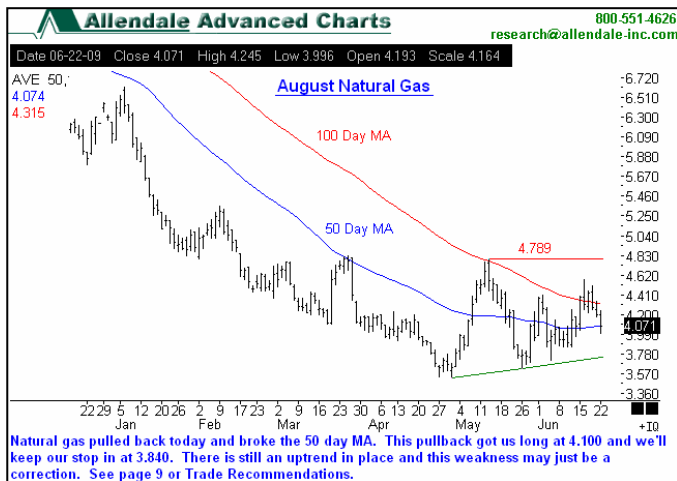
- Sell Sept. Coffee at 118.85 stop, Risk 120.85, Objective 115.00
- Sell Sept. Cocoa 2770, Risk 2870, Objective 2445

Working Trade(s):

- (6/18) Sold Oct Sugar 16.10, Risk 16.60, Objective 15.35

Technical Commentary: Cotton broke again today after Friday's sell off. Technically, the charts remain weak and are looking for of a pullback in the coming week. The market attitude remains weak so we can still see lower prices yet. The next solid support is 52.60 in the December contract with resistance around the 58.00 area.

Energies: August Crude Oil settled \$2.52 lower today at \$67.50. At first glance, a strong Dollar and weak equities most likely got the ball rolling for the bears today. The charts are starting to look like we could be rolling over and if we keep in mind that OPEC has had a target of roughly \$70 Crude since the market bottomed, we could easily argue that this market hit the target way too soon. Only recently did we start to see draws in Crude inventories as this market rallied on bearish fundamentals the whole way up. We are also reaching the peak of driving season; refiners have increased production coming into the summer months and lower than anticipated demand could keep RBOB prices heavy if we build a short term glut in supply. We also have the Federal Reserve meeting this week which could also be causing traders to take the "rather safe than sorry" approach. The long term trend in the market is up, but knowing this market could easily drop \$10 without doing severe technical damage to the chart and retain the up trend makes us feel like a good correction is not only possible but probable...Brian J. Splitt



Closed Trade:

- **Bought 1 July Crude** (6/4) @ \$66.16. Risk of \$69.16 hit (6/19) for +\$3,000.

Trade Recommendation(s):

- **Buy 1 August Natural Gas** at \$3.87. Risk to \$3.57 with an objective of \$4.35.
- **Sell 1 August Crude Oil** at \$69.45. Risk to \$74.05 with an objective of \$60.55.
- **Sell 1 August Crude** at \$65.85 stop. Risk to \$68.55 with an objective of \$60.55.

Working trades:

- **Bought 1 August Crude** (6/17) @ \$69.85. Risk / Reverse at \$65.85. We would like to

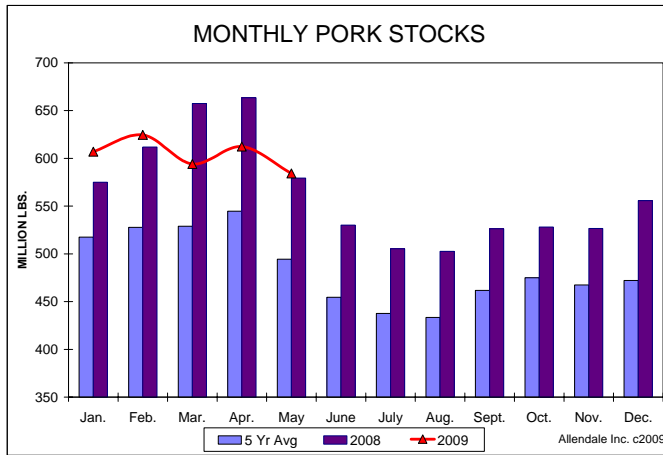
exit the trade at scratch if possible. August Crude closed at \$67.50.

Technical Commentary: The short term trend in Crude Oil is up and the charts have a round bottom formation. Close-in support in August crude is today's low of \$66.67 while \$65.92 and \$62.83 provide further support. The weekly chart put in an inside bar last week and made a move and close below \$67.72 which is a bearish signal. A move below this month's low at \$65.92 may confirm a short term top in the market and we have our stop on our long position just below this level. There is a band of consolidation near \$60.50 that may be a longer term target for bears if we see a large round of selling. Long term trend line support is riding along the 100 Day M.A. at about \$56.80. Close-in resistance will be \$67.72 while \$70, \$71.99, and the high for the move of \$73.90 provide further resistance. Stochastics are pointing down.

Natural gas pulled back today and broke the 50 day MA. This pullback got us long at 4.100 and we'll keep our stop in at 3.840. There is still an uptrend in place and this weakness may just be a correction.

Hogs: The afternoon Cold Storage report may at first look very bullish. USDA counted 584 million lbs of pork in warehouses at the end of May. That was a decline of 28 million lbs from last month. If you don't know your storage history you would call that a big victory. It would seem as though there was no

problem with exports last month right? The real story is different. You need to keep in mind pork stocks typically decline by 50 million lbs in May. We call this report neutral to slightly supportive. There was a problem with exports but not as much as we would think. We are neutral to summer months and view \$60 as targets for July and August but remain concerned about December. Why is it holding such a moderate discount to summer months when we will be adding much more supply at that time of year?...Rich Nelson



Trade Idea(s):

- (06/18) Stand aside.

Option Strategy(s):

- (06/01) Sold Jul 69 call 1.07, risk at 1.10, objective 0. Closed .17.

Lean Hog Technical Commentary: Hogs posted an inside bar on the chart today after a solid rally last Friday. This was a bit of a disappointment for the bulls since there wasn't any follow-through. The 20 day MA is still providing resistance just above 62.00.

Vital Technical Indicator: Next projected major

turn day for lean hogs is June 25.

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

Cattle: There are now three days of higher live cattle futures under our belt. Today's trading also broke some points on the charts which Monica pointed out. On the fundamental side we still have not seen wholesale beef prices solidly go from bearish to bullish. You could point out they have stabilized. The Cattle on Feed report is something of interest here due to that low 86.2% placement level. Keep in mind those numbers are September through January finishers. That does help the long term supply picture. For direction there are still no signs the summer low is in. We have to assume this recent run higher will last another couple days. With that in mind we will likely look to resell this market in the 83.75 area on the August if given the chance...Rich Nelson

Trade Ide(s):

- (06/22) Stand aside.

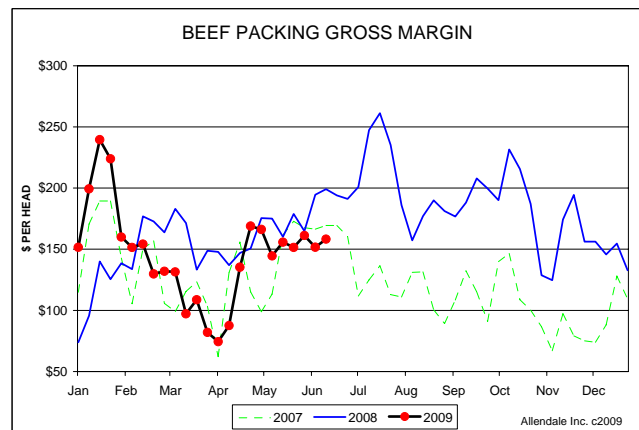
Option Strategy(s):

- (05/21) Sold Aug 84 call/sold 78 Aug put at 3.10, risk at 3.00, objective 0. Closed 2.05.

Cattle Technical Commentary: Cattle found enough strength to push through the 50 day MA today and closed there as well. The 100 day MA is not far above today's high, and neither is the long-term downtrend. We got short at 82.55 on this strength.

Vital Technical Indicator: Next projected major turn day for live cattle is tomorrow and for feeders is July 9.

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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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