

Allendale Wrap-Up for Business Day 06/28/10

CORN: SUPPLY AND USE	2008	2009	2010	2009	2010	
			USDA	ALDL	ALDL	
PLANTED	85,982	86,482	88,798	86,482	89,707	+909
HARVESTED	78,570	79,590	81,800	79,590	82,163	
YIELD (BU/A)	153.9	164.7	163.4	164.7	167.0	+3.5
SUPPLY (MIL BU)						
BEGINNING STOCKS	1,624	1,673	1,603	1,673	1,563	
PRODUCTION	12,092	13,110	13,370	13,110	13,717	
IMPORTS	14	10	10	10	10	
TOTAL SUPPLY	13,730	14,793	14,983	14,793	15,290	+307
USE (MIL BU)						
FEED AND RESIDUAL	5,246	5,350	5,350	5,350		
FOOD, SEED, AND IND	4,953	5,890	6,060	5,890		
ETHANOL	3,677	4,550	4,700	4,550		
TOTAL DOMESTIC	10,199	11,240	11,410	11,240		
EXPORT	1,858	1,950	2,000	1,990		
TOTAL USE	12,056	13,190	13,410	13,230	13,495	+85
ENDING STOCKS	1,673	1,603	1,573	1,563	1,795	+222
STOCKS/USE	13.9%	12.2%	11.7%	11.8%	13.3%	

Corn: New contract lows in December corn were seen today on a few factors. We really could not have written a more bearish weather report than what we saw today, both in the morning and at noon. While we feel that this recent selling has been too quick, it is important to know that July 9th will see a revision of the corn yield. The largest gain from June to July in the past has been 4 bushels per acre. If yield is increased the expected 3 to 4 bushels, along with our 909,000 acre increase in expected acres for Wednesday we could soon be looking at a near 1.8 million bushel carryout again. That is the same number this

market was looking at the last time we had December lows down to this point. If you figure the market is really looking ahead that far then fine, we can justify the current price levels. Add in the bearish weather mentioned earlier, and then you still have a chance to drift lower yet. Let's look at the potential bullish factors now. When it comes to funds we will notice that the dollar bounced today on Euro weakness which does not help our case there. China could very well come back in at these low levels again to add market support. Let's not forget to mention that more general demand can show up at these levels as well. Last week, we had nearly a 1.5 million tonne export number with very little coming from China. Who would be surprised to find general buying of corn at these levels? After all, these are fresh lows that end users have not seen in years. These are main areas that could add quick support but there is one that is often forgotten and that is the quarterly stocks report. If there is anything that could come in with blind side support it would be that portion of the numbers we will see on Wednesday. In that report there is the sometimes mysterious feed and residual use which has added surprise support in the past. Between that number and a potential increase in export expectations, we don't want to write off another bounce in this market to sell from. If this bounce does occur on Wednesday it could give that needed bounce. We want to stress the need to have open working orders to sell before the opening of trade Wednesday. If we get these bullish numbers followed by a continued bearish report then we may not have a sellable bounce to last very long. We want to remain on the sell side for now. There is a good amount of talk about the potential turn in weather late July/early August but we will trade that if and when it approaches. Right now we would rather be sellers of bounces and will look at weather problems when they arise. There is no doubt that if there is to be a sizeable and long lasting bounce in this market it will likely come from a change in weather. Let's just not bet on that change yet.

Direction: New contract lows in December mean that technical support can only be found in longer range charts. We expect a calm trade tomorrow with some possible spec buying seen tomorrow for those looking for a surprise bullish report Wednesday. Future direction will be determined by the report which we will post on our website shortly after being released...Ryan Ettner

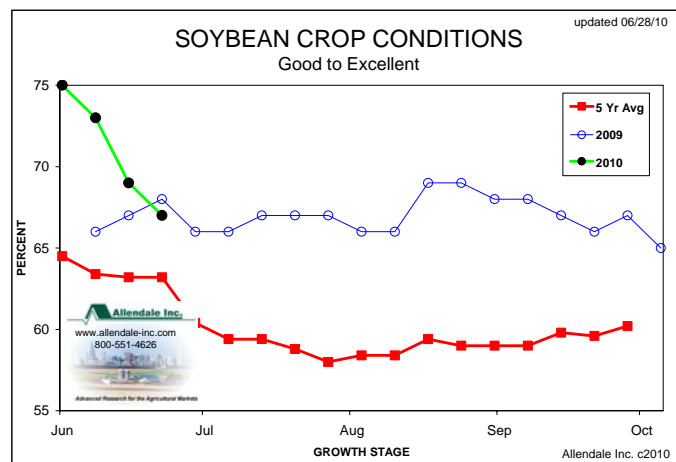
Working Trades:

- (05/19) Sold September 330 put 8, risk 15, objective 0. Closed 10.
- (06/28) Bought December 356, risk 352 filled 06/28 for **-\$200**.

*****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: The weekly corn chart shows this market is still range bound, with the first area of support coming in around 335. There are two levels of major long-term support at 296 3/4 from Sep 2009 and 290 from Dec 2008...Monica Moehring

Soybeans: It was a very wild day in soybeans with a 16 cent range in November beans that occurred in the last 15 minutes of trade. Apparently a major spreader came into the market selling July and Buying November. Rumors that someone got the USDA's stocks numbers (bearish) and another rumor the Chinese settled their Argentine bean oil dispute was bearish the spread. But then rumors of China buying US beans caused a sharp recovery (led by November). Whatever the case, we were not able to confirm either report and with the gulf 4-5 cents weaker today we doubt new sales were made. Cash bean oil traders in



Argentina said that all transactions remain blocked so despite statements about a settlement, the market does not see it. Today's crop progress shows 97% planted, normal for this week, and conditions fell 2% to 67% good to excellent. These reports are considered neutral. Wednesday is quarterly stocks and acreage update. Then next week we get USDA's yield estimate. We expect acreage will decline on beans but the industry as a whole expected acreage will increase. Stocks could also be a big surprise as most traders feel that the USDA will show a very tight situation. However, a recent drop in export and an announcement to shut down nearly 50% of the crush industry should cause the US to get through the balance of this tight inventory year. Reminding us of how this will change so dramatically is the USDA WASDE supply demand report on the 10th. We expect USDA to show a 74% increase in new crop stocks.

Direction: We expect November to hold 900. As long as that holds, then we expect a move towards 960 in the November. Long term, we view ANY price over 950 as a fundamental selling opportunity but we will monitor the charts and provide recommendations accordingly. Producers are 75% to 100% hedged and have recently reviewed all positions for a summer seasonal move...Bill Biedermann

Trade Recommendations:

- (06/28) Sell November 937, risk 942, objective 902.

Working Trades:

- (04/15) Bought Nov 940 put, sold 1040 call, sell 800 put 18, risk at 5. Objective 100. Closed 36 5/8.

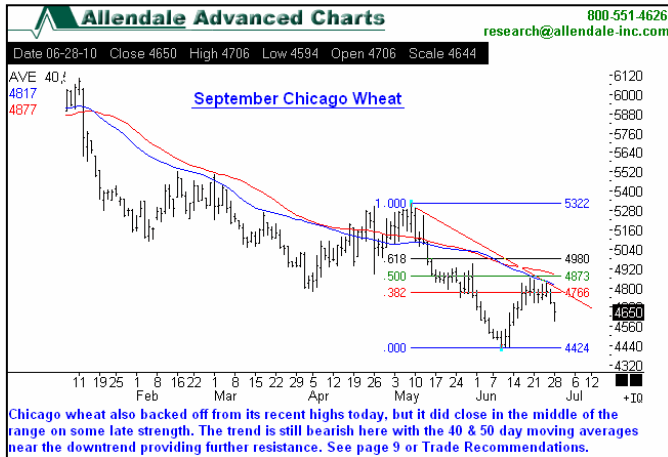
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Advanced Charts Direction: Bean posted a large outside bar on the chart today with a bullish close. The market settled in the top half of today's range which could give strength to the bulls again tomorrow. A close above 38% at 924 would be even more friendly...Monica Moehring

Wheat: Weekly inspections at slightly more than 16 million bushels were regarded as bullish vs pre report estimates. Egypt bought exclusive Russian wheat. Not just wheat but include the corn and rice (all starches) traded lower for much of Monday. Most likely you can anticipate a higher trade for Tuesday but rallies are expected to sold, better than last year condition rating for corn and rice and an active winter wheat harvest is taking place. Domestically and globally we are drowning in an abundance of wheat stocks. See our Allendale Inc Advanced Charts for key support and resistance levels. Normally winter wheat farmers can find their best flat cash wheat prices in Oct and Dec. The question now is could this be

moved ahead by one month given the pollination for corn? Talk within the HRW winter wheat harvest is good test weight and yields but also good protein levels, all bearish to the futures market, a dream come true for the end user. The Sept vs Dec SRWW remains in a tradable range of 26 to 31.5 carry market. The winter wheat harvest progress report did not hold any surprises at 38% harvested vs 33% last week and 39% five year average.

Direction: Winter wheat futures are expected to chase lower until 60% of the harvest is complete...Joe Victor



Trade Recommendations:

- (06/28) Sell September Chicago 470 3/4, risk 483, objective 455.

Working Trades:

- (05/27) Sold September Chicago 520 call 16, risk 29, objective 0. Closed 6 6/8.

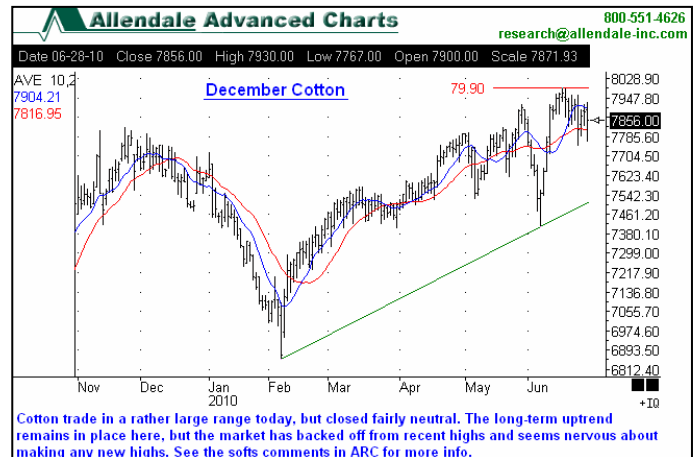
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Advanced Charts Direction: Chicago wheat also

backed off from its recent highs today, but it did close in the middle of the range on some late strength. The trend is still bearish here with the 40 & 50 day moving averages near the downtrend providing further resistance...Monica Moehring

Softs: Trade was light again today as most of the markets wait for the USDA report on Wednesday. In general, the markets sold off due to a higher dollar and week energies. Traders lacked confidence today to buy commodities and the soft's suffered for that. Volume should pick up throughout the week.

Cotton: Cotton fell today as the traders are anticipating seeing more acres off the USDA report. The industry is forecasting the 2010 plantings to be near 10.85 million acres. That will be up 19.84 percent from last year. The spreads between old crop and new crop pushed out to a very wide level and we are looking to take advantage of that narrowing. We are long December and short July. We feel that this report could bring this spread back to a normal 2.5 cents. We are keeping a tight stop on this trade just in case traders feel it is not wide enough.



Sugar: Sugar turned around today and looks like

we are going to retest the 50 day and 20 day moving averages. The charts posted a big outside day down on the charts. This makes the technical picture look negative and the fundamentals still remain weak. A close below 15 cent could open the door to 14.32 and possible the recent lows. We are going to stand on the sidelines for now and watch the reaction to today's sell off.

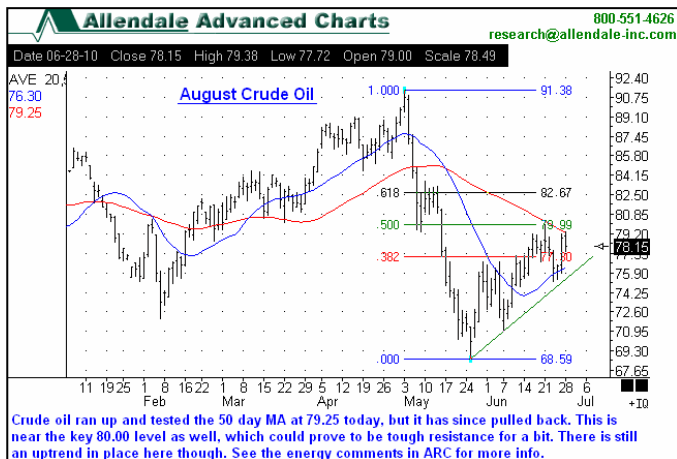
Coffee: Coffee remains to have a bearish fundamental outlook but it doesn't seem to matter. The funds have been buying and they look like they will continue. If we can see a close above the 2008 highs of 169.60 we could see a run to the 190.00 based on technicals. We are positioned on both sides of the market with options and feel good about positions. The funds will most likely push this market a lot further than we expect and sell it off faster than we expect as well...Steve Georgy

Working Trade(s):

- (6/25) Bought **September Coffee** 170.00 calls/Sold 180.00 calls at 2.30, risk 0, objective 7.50, closed at 2.85
- (5/25) Bought **December/Sold July Cotton** at 6.00 cents premium July, Risk 8.00 cents, objective 2.50, closed at 6.04
- (6/14) Bought **September Coffee** 145.00 put/Sold 135.00 put at 3.40, risk 0, objective 7.00, closed at 1.07

Trade Recommendation(s):

- (5/10) Sell **September Coffee** 152.00 stop, risk 153.00, objective 143.50



Energies: August Crude Oil settled the day \$0.61 lower at \$78.25. Since the market rallied \$4 off of last week's low going into the weekend based on the tropical storm moving toward the Gulf, we did see somewhat of a "buy the rumor, sell the fact" type trade today since updated landfall estimates are lining up west of key production areas. We are going into the time of year when we will be trading another variable much more closely which is the weather variable. With this hurricane season looking to be one of the more active ones in recent history, we feel that the bias will be to buy unless more global economic issues surface... Brian J.

Splitt

Trade Recommendation(s):

- (6/28) **Buy August Crude** 75.75. Risk 74.75, Objective 82.75.

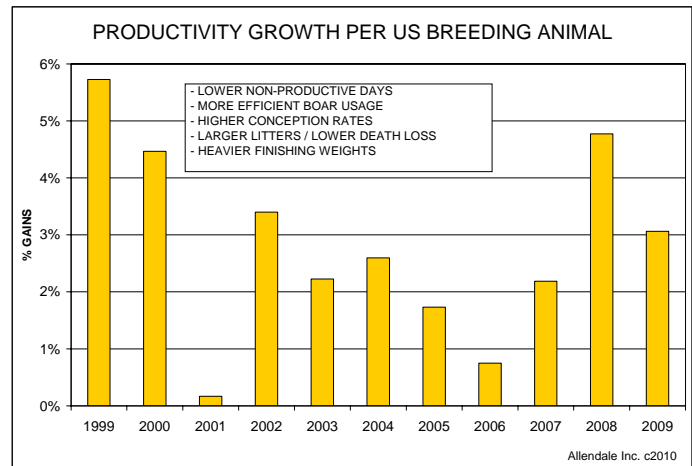
Technical Commentary: Crude Oil is a market that is trending higher long term and short term. Last week, August Crude was able to close over the 20 Day M.A. after three consecutive jabs through it; this seems to be the moving average to buy. Close in support is 78.00 with 76.80, 75.15, 74, 72.75 and 70.93 providing support above 70.00. Close-in resistance is 79.40 and last week's high of 79.94. On a move above 80.00, resistance will show up at 80.60, 82.00, and 84.00. Stochastics are sideways.

Copper is pulling back from testing the current downtrend and 50 day MA today. We remain short from 310.00 since this trendline has been in place longer than the short-term uptrend. A close below the 40 day MA could trigger more weakness.

FDA Takes Action on Antibiotics: The FDA has recommended new rules for using antibiotics in livestock. The agency wants only sick livestock to be treated with antibiotics. They will accept public comments for a period of 60 days. No timetable for implementation has been given. Of the livestock species, only hogs are given antibiotics regularly. The current US pork production model is one where 98% of hog finishing is done in confinement. Without antibiotics, all those animals crammed together have lower health and production measures. If this proposal is in any way implemented across the US, it will be bullish hog prices. No antibiotics in hogs = a drop in productivity.

Lean Hogs: Based on the fact the nearby's were the ones to take the heat today it was obvious the trade did not pay much interest to Friday's Hogs and Pigs report. Instead they were more concerned about a few plants not running on Friday. If packers are not concerned about making up for next week's reduced kill levels then it tells us a bit about their current mindset. Additionally, the news that US poultry exports to

Russia would not be started right away was concerning to some. The head of Russia's consumer watchdog organization indicated US poultry would be exported in 1 1/2 to 2 months at the earliest. Overall, today's downside action may have been a little overblown. Seasonally, this is the tail end of that three week cash hog rally which happens into July. We have posted new recommendations on the Hedge Advice page for producers to follow. Pork production in the first two quarters of this year was -3.5% and -4.3% compared with previous year levels. In the second half of this year we project production to be -4.6% and -3.0%. 2011 will mark a turning point. The first two quarters are seen -1.6% and +1.8%. That is right; liquidation is ending...Rich Nelson

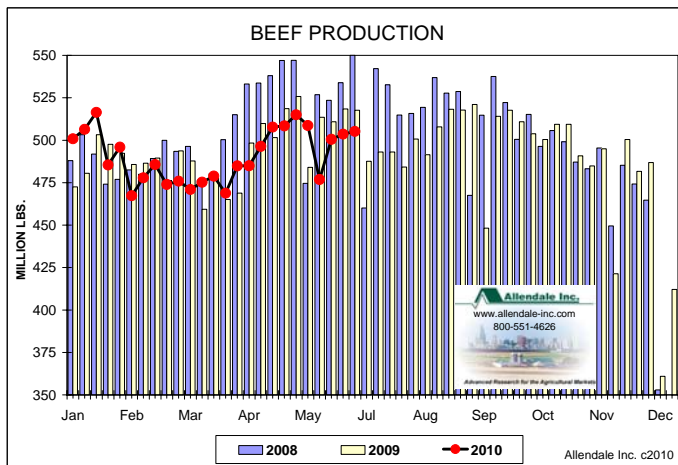


Working Trades:

- (06/04) Sold August 80 put 2.75, risk to 2.50, objective 0. Closed 1.60.
- (06/25) Sell August 82 put 2.00, risk to 3.10, objective 0. Closed 2.45.

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Advanced Charts Direction: Hogs broke the 20 & 40 day moving averages, as well as 38% retracement. The close was negative, so we may see more setback in this market even though the long-term uptrend remains in place...Monica Moehring



Live Cattle: Right now we are looking for cash cattle to trade steady this week at \$91. Feedlots have put out asking prices of \$92 and \$93. That implies they would happily take steady money again at \$91. There is a good chance of that happening. We are hearing showlist numbers are close to last week's level. Additionally, wholesale beef prices are still trading mixed. Make no mistake about it though. We still look for lower cash beef and cattle prices into July. For this week it would appear a steady tone could be seen. August futures appear to be correctly priced in the \$88 to \$91 range...Rich Nelson

Working Trades:

- (05/14) Sold August 98 call 1.20, risk to .67, objective 0. Closed .15
- (05/27) Sold August 87 put 1.30, risk to 2.15, objective 0. Closed .72.
- (06/23) Bought August 88.50, **move risk to 88.00**, objective 90.40. Closed 89.67.

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Advanced Charts Direction: Cattle posted an outside bar on the chart today with a positive close. This could be enough propel the market up towards 38% retracement again near 90.40. We would still prefer to buy on a pullback near the trendline at 88.25...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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