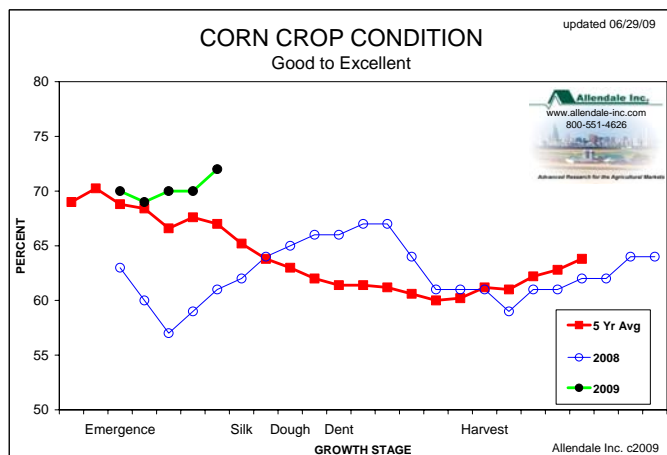


Allendale Wrap-Up for Business Day 06/29/09



Corn: Weather was the name of the day. Forecasts show generally light rains for the eastern cornbelt and no rain for the western cornbelt this week. However, temps will be mild and there are good rains scheduled for the weekend. Additionally, the weekly update of the soil moisture map showed a sharp improvement in Illinois and Indiana conditions.

The Crop Got Better: Last week's weather did a terrific job on the crop. Overall good to excellent ratings picked up 2% from last week and are now at 72%. The five year average for this week is only 67%. The important thing to note is conditions

increased when typically they fall right after planting and decline into harvest. #1 and #3 corn states of Iowa and Nebraska are still showing phenomenal crops. Their current ratings are 81% and 82% respectively! #2 corn state, Illinois, advanced by 7% this past week and is now 58% good to excellent. 1) We fully agree with the thought that crops in Illinois, Indiana, and Missouri are still weak and may not take a stressor very well. 2) We generally consider ratings in July to start getting more accurate. At that point we will start plugging in these numbers into our master yield model and begin reporting the results. 3) For now, we must put our blinders on and simply follow the conditions. They are improving and therefore the crop is getting better.

Crude and Corn Waffling: The relationship between crude oil and the price of crude has been an important one to follow for over a year now. Correlation is a term sometimes thrown around to describe this relationship. A measure of 0 means no correlation while a measure of 100% means a perfect correlation. The measures for the first five months of the year were January 70%, February 6%, March 85%, April 54%, and May 89%. Now, looking at almost all of June we see it is running -10%. In other words, there is almost an opposite relationship! For now, we should assume crude and corn are going their separate ways.

Direction: We still like the idea of owning corn. Weather has been bearish here but tomorrow's Acreage report should tighten up the new crop balance sheet enough for the trade to take notice...Rich Nelson

Trade Idea(s):

- (06/22) Bought Dec 408, risk 394, objective 425. Closed 397 1/4.

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 46 3/8.
- (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 -11.

Corn Technical Commentary: Corn closed below the key \$4.00 level today, but tomorrow is the USDA acreage & quarterly stocks report. We remain long from 4.01 1/4, with a stop below the April lows.

Vital Technical Indicator: the next projected major turn day is July 7.

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

Soybeans: The biggest thing which strikes us when looking at the soybean complex is the old crop/new crop spread. July futures are now holding over a \$2.30 premium to November. And right now, there is nothing out there suggesting that spread won't continue to widen. Our numbers suggest USDA will drop old crop stocks on the July 10 monthly supply/demand report. Allendale, and others in the trade, look for

soybean acres to increase on tomorrow's report. Whether only 1 million or up to 3 million acres are added, there will be a stark transition from tight old crop stocks to more than plentiful new crop levels. **Crop Conditions Improve:** Winter wheat is running 40% harvested nationwide. That is close to the normal pace of 46%. Harvest is progressing beyond Texas and Oklahoma (70% and 89% respectively) and is now into Kansas. We have heard some stout yield talk out of Kansas which may counter some of the problems down south. Spring wheat good to excellent ratings fell 1% to 76%. While that could be a disappointment we have to recognize this crop is still 6% above the five year average pace for this week. **Direction:** There are only a few times a year when your work suggests there is only one direction for a market. In soybeans we would feel comfortable selling a bounce, selling at current levels, and selling at lower levels. Other than a yield problem we cannot make the numbers work out to anything but bearish for new crop. \$8 appears the eventual target for November futures...Rich Nelson

Trade Idea(s):

- (06/29) Sell Nov 1020, risk 24 from entry, objective 941.

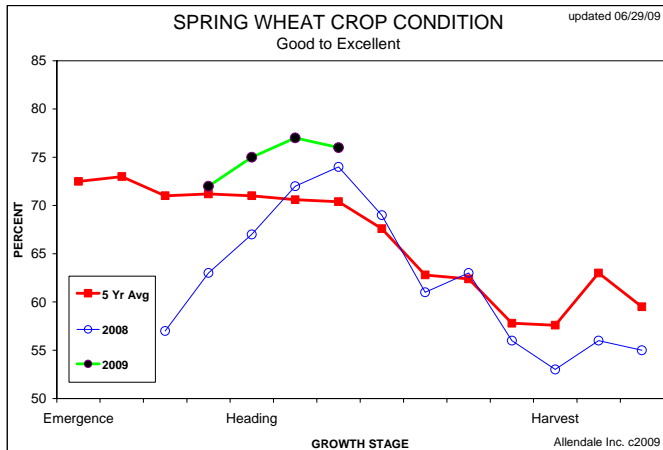
Option Strategy(s):

- (06/09) Sold Nov 1240 call/sold Nov 800 put 62 1/4, risk to 90, objective 20. Closed 45 7/8.
- (06/16) Sold Nov 1220 call 45, risk to 65, objective 0. Closed 29.

Soybean Technical Commentary: Beans closed near the uptrend, but tested 38% near 9.80 today. A break in this area could trigger further selling and possibly a test of more retracement levels. We have a sell order near resistance at 10.20 1/2.

Vital Technical Indicator: the next projected major turn day for soybeans is July 14, soybean meal is July 6, and soybean oil is tomorrow.

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



Wheat: We have noted that the May price rally was overdone and this market is now beginning to get nearer true value. We have that level pegged for Chicago wheat from 500 to 550. Apparently the trade is also feeling wheat futures are overvalued with estimates of big deliveries totaling 4,000 to 5,000 contracts...Rich Nelson

Crop Conditions: Similar to corn, weather has been beneficial. USDA reported weekly good to excellent ratings were up 1% from last week at 68%. The five year average rate for this week is 63%. Ratings in soybeans continue to improve. Normally conditions fall straight from the first

week down into harvest. Pointing to the top three soybean states, Iowa was unchanged at 78%, Illinois fell 3% at 52%, and Minnesota fell 1% at 73%.

Trade Idea(s):

- Chicago Wheat: (06/24) Stand aside.
- KCBT Wheat: (06/29) Sell Sep 613, risk 635, objective 570.
- Minn Wheat: (06/29) Stand aside.

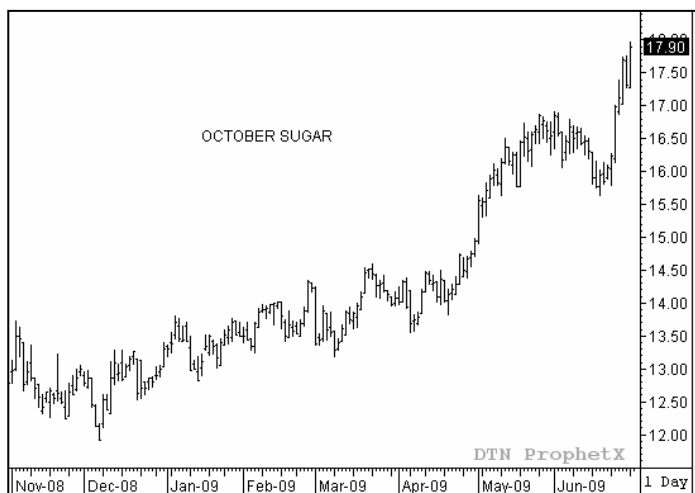
Option Strategy(s):

- (06/09) Sold Aug Chi 700 call 20 1/8, risk to 12, objective 0. Closed 2 1/8.
- (06/29) Sell Sep Chi 600 call 20, risk to 28, objective 0.

Wheat Technical Commentary: KC wheat fell to a new low for the move again today. The bears are in full control here and there seems to be no bottom in sight. However, there are several levels of support coming up as shown above in green.

Vital Technical Indicator: the next schedule projected major turn day in store for wheat is July 8.

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



Softs: New highs in sugar! Sugar is on its way to return to the 20 cent area from a few years ago. October closed at 17.90 and put in an outside day on a chart. Our buy point was just missed and we will be looking for a pull back tomorrow to re-enter on the long side. The concerns for the sugarcane in India could be weakening due to the stronger forecast for the monsoon season. If they get more rain than expected, the sugarcane will most likely be better than expected. We are in a crucial time period for sugar in its growth stage. December cotton closed 13 points higher today finishing at 56.97. Cotton is in a sideways pattern and we feel could have an exited day tomorrow

due to the acreage report out at 7:30 A.M. We are still looking for a break to 52.50 before we enter on the long side or a return to 60.00 before we would be a seller. The other soft markets remained quite but with the end of the month, end of the quarter tomorrow we can see more volatility...Steve Georgy

Trade Recommendation(s):

- Buy October Sugar, 17.50, Risk 16.50, Objective 19.50
- Buy Dec. Cotton 52.65, Risk 51.80, Objective 61.60
- Sell Sept. Cocoa 2770, Risk 2870, Objective 2445

Working Trade(s):

- None

Technical Commentary: Sugar closed strong again today. We are looking for a return back to the 20 cent area in the October contract. Good support on the October sugar comes in at 17.25 with resistance just above today's highs at 18.00

Energies: August Crude Oil was \$2.33 higher at the close; today's settlement price was \$71.49. Attacks on Nigerian Oil infrastructure continue to provide a reason for bulls to buy at these levels even though new demand projections continue to show weak energy demand through 2014. Moderate strength in equities also added support to the energy markets as the Dow and S&P charts were able to hold support last week at the mid May lows; a move above the June highs in equities will likely add further support to the energies. Early polls for this week's inventory data show that the trade is expecting a third consecutive week of seeing a draw in Crude Oil inventories and builds in both Unleaded Gas and Distillates. We received similar data for the previous two weeks and the market has neither been able to take out major support nor major resistance...Brian J. Splitt

Trade Recommendation(s):

- **Buy 1 August Natural Gas** at \$3.91. Risk to \$3.61 with an objective of \$4.54.
- **Sell 1 August Crude** at \$65.85 stop. Risk to \$68.55 with an objective of \$60.55.

Working trades:

- **Sold 1 August Crude Oil** (6/23) at \$69.45. Risk to \$74.05 with an objective of \$60.55. August Crude closed at \$71.49.

Technical Commentary: The short term trend in Crude Oil is up and the charts have a round bottom formation. Bears should be pushing for a move to retest \$66 which is where the sell-off failed early last week. A move and close below this month's low at \$65.92 may confirm a short term top in the market. 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. Close-in support in August crude is \$69.85 while \$68, \$65.92 and \$62.83 provide further support. Long term trend line support is riding along the 100 Day M.A. at about \$57.75. Today's high fell just short of the short term down trend line from the highs of the recent rally. This will come in tomorrow at about \$72. Close-in resistance will be \$71.99 while \$72.45 and the high for the move of \$73.90 provide further resistance.

Copper posted an outside bar on the chart today and closed near the highs of the session. Support can be found at 222.60, so we'll place a buy order near there at 225.00 since the overall trend here is bullish.

Natural gas has been moving sideways over the past week and could be building another bottom to rally from. We remain long from 4.100 with a stop under the early June lows.

Hogs: On a fundamental basis Friday's Hogs and Pigs report was a little concerning. Though the breeding herd size was not a problem, its productivity is. The pigs/litter increase almost negates any plans we have to liquidate more of this herd. Now, on that liquidation issue, we can confirm it is starting. The delayed data we get on sow slaughter shows it started the week ended June 13. Keep in mind you will see sow slaughter numbers quoted against last year. Last year had big spikes in sow slaughter right at this time. Therefore, numbers will likely remain "under last year" for a few weeks. We have a smaller breeding herd right now and if numbers are close to 2008's high level then we are liquidating.

Pork Production
vs. previous year

	I	II	III	IV
2008	+11.6%	+9.1%	+7.2%	-1.1%
2009	-3.5%	-3.4%	-3.2%	-0.5%
2010	-1.4%	-1.0%		

Direction: Our key area of concern here is not summer futures. We still contend they are close to being at value. The are we are concerned about is December and February futures. IF we still have an H1N1 impact, then those contracts remain clearly overvalued. For now, do not try to pick a bottom...Rich Nelson

Trade Idea(s):

- (06/26) Sell 1 Feb 61.60, risk 63.50, objective 57.00.

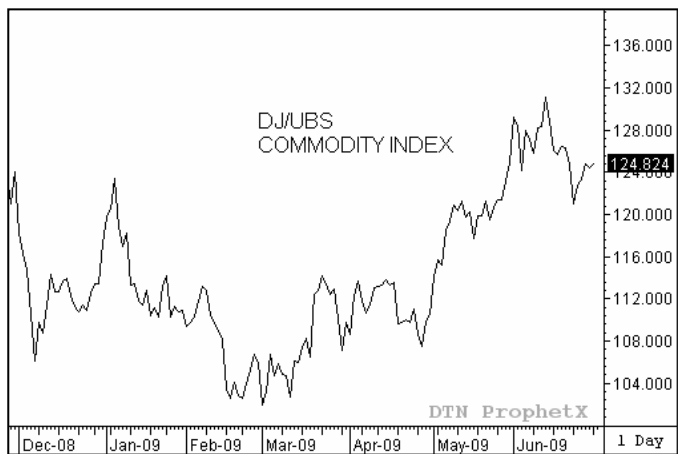
Option Strategy(s):

- (06/01) Sold Jul 69 call 1.07, risk at 1.10, objective 0. Closed .02.
- (06/25) Sold Aug 64 call 1.62, risk at 2.20, objective 0. Closed 1.25.

Lean Hog Technical Commentary: Hogs posted a new contract low today at 57.60. This market continues to struggle with finding any buyers right now. We will leave a sell order near the recent highs at 61.50. The 20 day MA is keeping a lid on the market.

Vital Technical Indicator: Next projected major turn day for lean hogs is July 1.

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



Cattle: No, there is not a fundamental reason for today's limit up action in August futures. For fundamentals...cash cattle is expected to trade steady at \$82 this week. There is a holiday shortened week and generally packers and feedlots agree to get things over with quickly and in a civil way during these times. Showlists are seen close to last week as numbers sold late last week were good. For today, wholesale beef was up moderately with gains of 60 and 85 cents for choice and select. Overall you could see a moderate increase in prices but nothing backing up the strong trade. That leaves us looking at outside factors. As we near the

end of the quarter are we seeing a reason for outside money to come flowing into commodities? We look a look at the Dow Jones UBS Commodity Index, one of the more closely followed by the long-only index traders, and saw that from March 30 through current, it is up around 15%. In other words, while stock markets were around 12% higher, we see commodities, as a group beating that. You may remember last year that live cattle futures were run, at times, by the outside money. It appears that could be the case again. We must understand this money can, and does, have more influence over near term pricing than fundamentals. With that in mind we will call an end to our steady to lower viewpoint into summer. We had hoped to delay the bull phase of our price outlook until first half August or so but apparently the market has other opinions...Rich Nelson

Trade Ideas(s):

- (06/29) Sold Aug 83.70, risk 84.95 filled 06/29 for -\$500.

Option Strategy(s):

- (05/21) Sold Aug 84 call/sold 78 Aug put at 3.10, risk at 2.60 filled for +\$200.

Cattle Technical Commentary: Cattle traded below some support at 82.10 today, but closed near the 50 day MA. It still looks as though a short-term top is in, given the long-term downtrend that began in January. We remain short from 82.55.

Vital Technical Indicator: Next projected major turn day for live cattle is July 8 and for feeders is July 9.

[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

The thoughts expressed and the basic data from which they are drawn are believed to be reliable but cannot be guaranteed. Any opinions expressed herein are subject to change without notice. Hypothetical or simulated performance results have certain inherent limitations. Simulated results do not represent actual trading. Simulated trading programs are subject to the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. Commodity trading may not be suitable for recipients of this publication. This is not a solicitation of the purchase or sale of any commodities. Those acting on this information are responsible for their own actions. Any republication, or other use of this information and thoughts expressed herein without the written permission of Allendale, Inc., is strictly prohibited. Allendale Inc. c2009