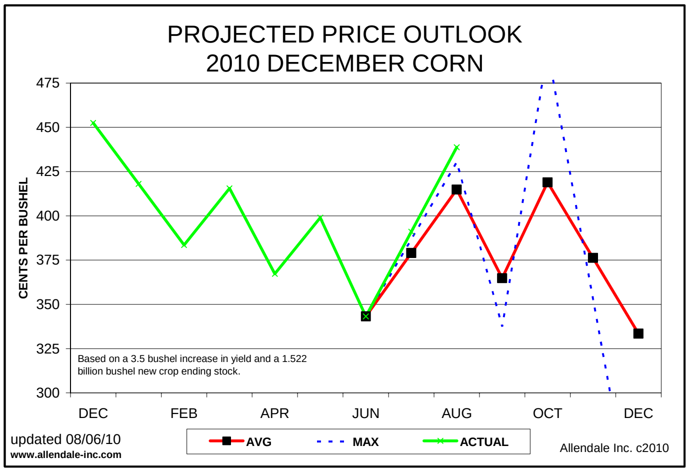
Allendale Wrap-Up for Business Day 08/09/10



Corn: Obviously when you look at our price outlook chart, you would have to believe that we see more money making opportunity on the downside that the upside. Yet, many of you have called in stating how "bullish" the market has become. We do not want to sound cynical so please interpret this in humility….the market will "sound the loudest bullish horn" when it is AT the top. That is how the market attracts buyers of new positions and buyers of existing shorts to "blow out" at the market. And when the market emotion reaches peak, that is also peak price.

Why the market went up: Endless talk of poor and late planting resulting in poor yield potential drowned out spots but also DROUGHT in the US, drought in Russia, Europe, Argentina, India, and Western Australia. Some suggested yields estimate at 158.5 and end stocks at 1.0 billion bushels. Massive fund buying on perceived feed demand shift from wheat and inflation position buying.

Reasons why we think market will decline into year end: US yield should exceed 163.Our statistical yield estimate is 167, 13.5 billion crop and end stocks closer to 1.5 billion than 1.0. Our survey will be a more accurate assessment – do not forget to call in!! tonight's crop conditions were unchanged 71% v 68 last year. Drought in Russia was in wheat and oat country. Losses in world wheat production have been quantified. Russia will reduce exports by about 257 mil bu (probably even less if it their fall seedings germinate well) and all Euro losses together are not more than 367 million bushels. In fact the US could supply that entire shortage and it would simply bring our wheat stocks from 1.0 billion bushel (50% stocks to use) down to 640 mil bu (that is a normal 10 year average). Thus we see LITTLE if any feed usage shift to corn. Thus we are sticking to our price outlook and we want all producers/farmers of corn to get up to date on hedges. Traders need to remain chart friendly or simply WAIT until we get a chart signal to sell. That might happen fast, so stay in touch.

Direction: Corn prices have rallied to our projections but we cannot say a top is in yet. We look for that to soon as the trade sees ending stock numbers increase. Producers are strongly urged to make sure you get up to our recommended 75% hedge level. End users (livestock and ethanol) should be doing limited hand to mouth buying only. Our projections suggest 330 is the target for December corn at harvest…Bill Biedermann

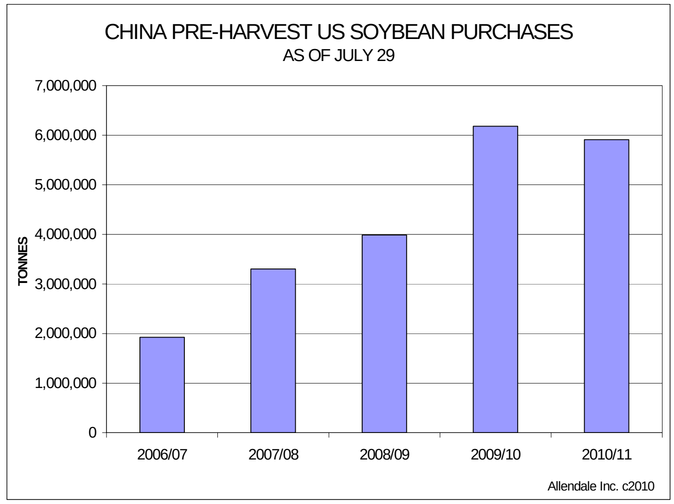
Trade Recommendations:

- (08/05) Buy December 406, risk 396, objective 425.

*****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: Dec corn held the short term up-trend as support today finishing @ 418. The move in corn is sill positive…Monica Moehring

Soybeans: It was another day of bean purchases by China. Today's amount came in at 284,000 tonnes keeping support under this market for most of the day. This pace of bean buying has been impressive, only trailing last year slightly. Through most of the day this export business in combination with continued dry and hot forecasts in the southwest Midwest provided good support. In the end, November could only manage a penny and a half higher as a second round of wheat selling was found that spilled over into the other grains. Through most of this week we are looking at sideways trade up until the supply/demand report on Thursday. Technically, there is still an obvious uptrend in place. We will need to watch out for any decent breaks. If there is a decent setback we can end up breaking a rather steep uptrend line causing a quick change in market direction. With all that in mind, we will be watching the upcoming report closely. Any shocking number to the bearish side could cause a quick turnaround in technical mindset. Looking at this market from purely a speculative standpoint one would have to be a seller on another bounce close to 1050. With next resistance coming in at contract highs of 1060, the risk to the upside is only 10 cents while turnaround to next support goes all the way back to 993. This shows us why we need to keep this report neutral or face the possibility of a quick sell off. We can look for more calm trade up until Thursday as long as the wheat market does not throw a wrench in the plans. If Russia should find a rain in the forecast and decided to sell wheat then expect the beans to follow right along.



Direction: China bought again this morning which only managed a settlement of 1 1/2. That does not look very positive starting this week out. Should China take a couple days off we have the technical and fundamental reasoning for a good setback. We will expect beans to move sideways up until the report and make a decision from there. Wheat can still move this market at any time if that market gets worthwhile news for a large move…Ryan Ettner

Trade Recommendation:

- (08/09) Buy November 1013, risk and reverse 1004, objective 1045.

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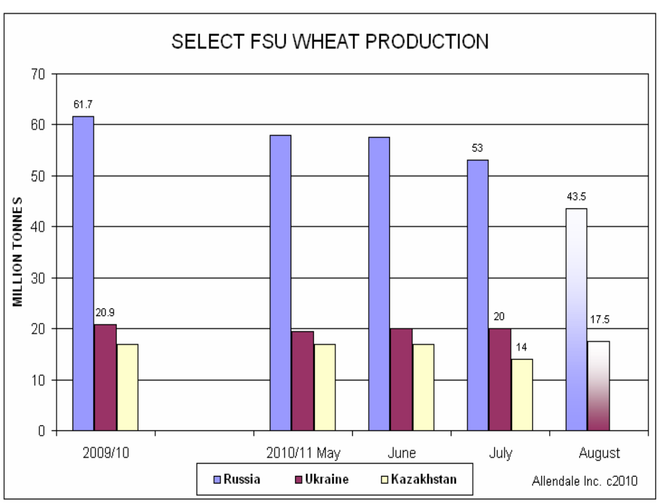
Advanced Charts Direction: Aug beans maintain their uptrend and finished just above the 9day MA. The market does seem to be consolidating and a failure below last week's lows at 1037 would warrant a possible reversal…Bob Dalton



Wheat: This morning we saw another round of revisions to Former Soviet Union wheat production. One private analysis group suggested Russia will be 43 to 44 million tonnes. That is 10 million from what USDA suggested last month! The general decline here is not surprising though. We indicated last week to expect further declines. The thing to keep in mind here is the effect of drought, which may last another two weeks, are diminishing. Russia is harvesting right now. Further crop declines, while headline grabbing, should not be as market moving.

Direction: Friday's big rejection of higher prices was likely the high of the move. There will be further declines for FSU production but the market should be over making the big moves on them. We have changed from a short term bullish to a neutral/bearish price expectation. We are suggesting speculators start testing for a top by selling those inflated calls. Producers are urged to make sales on old crop sold. This is noted on the Hedge Advice page. Any producers planning on planting more winter wheat this fall should get that July KC/Chicago contract sold…Rich Nelson

Working Trade:
(08/09) Sold 1 Dec Chicago 900 call 29, risk to 47, objective 0. Closed 30.

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Advanced Charts Direction: Dec wheat used the 9 day MA as support today and closed in the middle of the daily range. A close below 705 would warrant caution for the bulls…Bob Dalton

Softs: October sugar fell 51 points and closer to our target. December cotton closed over 80 cents for the third session. Cocoa closed at the upper end of the range after being lower for most of the session. Coffee hit the 20 day moving average and found good support. Orange Juice stayed higher but is putting in lower highs and lower lows.
Cotton: December cotton stayed above 80 cents for the third straight day. We are still long March and short December. That spread has narrowed in more than 80 points over the last few sessions. We are still looking for March to carry a 100 point premium but the December needs to break the current uptrend. Thursday will be an interesting day as the USDA releases its supply and demand numbers. Cotton usually likes to change trends at that time as well.
Coffee: Coffee pushed $2.40 higher and closed back above support. We are still looking at options in this market but we will shift to December. The September options expire on Thursday. We will still look at a bear put spread and a bull call spread to reenter. Coffee is a fast moving market and we were able to take advantage of it over the last few months.

Sugar: Sugar fell 51 points and looks like we could be heading lower in the short term. We are short right now and look at taking profit if we can see another little dip. The fundamentals are negative and it seems the charts could be rolling over. Technically the charts have confirmed a head and shoulders that projects near 16.50…Steve Georgy

Working Trade(s):

- (8/5) Sold **October Sugar** at 19.10, Risk to 19.95, objective 17.55
- (8/2) **Bought March Cotton/Sold December Cotton** at 2 cents premium December, Risk to 3 cents, objective 1 cent premium March
- (6/25) Bought **September Coffee**170.00 calls/Sold 180.00 calls at 2.30, risk 0, objective 5.00
- (6/14) Bought **September Coffee** 145.00 put/Sold 135.00 put at 3.40, risk 0, objective 7.00

Trade Recommendation(s):

- None

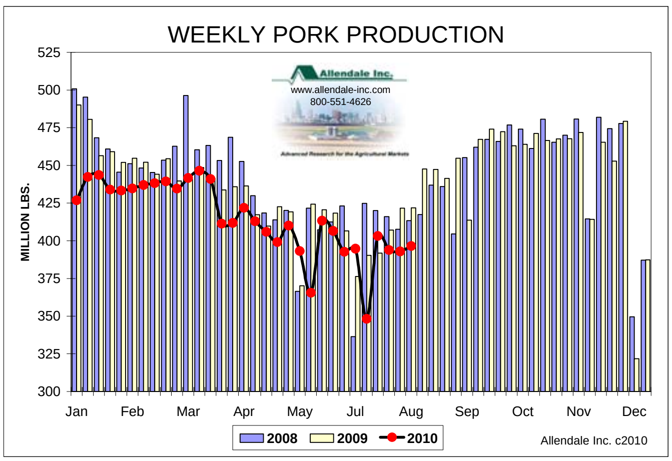
Energies: September Crude Oil was up $0.78 at $81.48 which broke a series of three consecutive sessions of lower settlements. Today's move piggybacked on higher trade in equities as the market seems to be placing bets that the Federal Reserve will take measures to add more liquidity to the system on tomorrow afternoon's announcement. So why might the Fed possibly add liquidity? The talk is that the Fed may print more money to help support a faltering economic recovery. So why is that bullish for equities and energies? The thought process is that more liquidity means a weaker U.S. Dollar which in turn should support energy prices. But what if the trade doesn't look at a weaker Greenback as a sign to buy because they instead focus on the root issue of why more liquidity is being brought to the table? Here we go, right back to the faltering economic recovery which in reality means lower future demand. Only the big players know what they're going to do with their money when the announcement is made, but the reality of Crude prices above $80 a barrel with a questionable recovery should bring things back to Earth…Brian J. Splitt

Working Trade(s):

- (8/9) **Sell September Crude Oil** 81.50. Risk 83.10. Objective 76.50. Closed 81.48.

Technical Commentary: Crude Oil is a market that is trending higher long term and since July 6. It was stuck in an $8 range since late May, but last week's trade broke out of that range. Close in support for September Crude will be the 200 Day Moving Average at 81.05 and the June high of 80.82 with 80.00 and the July high of 79.69 adding support. 78.55 and 77.85 provide chart support while the 20 and 50 Day Moving Averages sitting at 79.25 and 77.60 respectively add support. 75.62, 74.70, 73.75 and 72.60 provide further support. The June low of 71.92 and the July low of 71.47 will provide support above 70.00. Close-in resistance is near 81.75 with 82.65 and last week's high of 82.97 as further resistance. 84.50, 85.50, 86.00, 87.30 and 88.80 will be further bull objectives. Stochastics are overbought.

Silver is consolidating. The 100day and 9day MAs have converged just below this consolidation and may lend additional support.



Lean Hogs: There's a few more hogs showing up at the front door than we expected. The range of private market guesses for today's kill was from 390,000 to our 396,000. USDA told us the actual was 404,000. This will help add to the developing bearish mindset. As noted last week we feel the season peak in cash hog and cash pork prices has been made. While we are bearish, and will remain so for weeks now, this size of the futures price decline in recent days has been surprising. This market may have a chance to fill that gap on the October from 75.80 to 75.95. Producers should wrap up sales on rebounds …Rich Nelson

Trade Recommendation:

- (08/05) Sell October 76.00 ob, risk 1.50 from entry, objective 73.50.

Working Trades:

- (06/04) Sold August 80 put 2.75, risk 2.75, objective 0. Closed .17. (Expires Friday)

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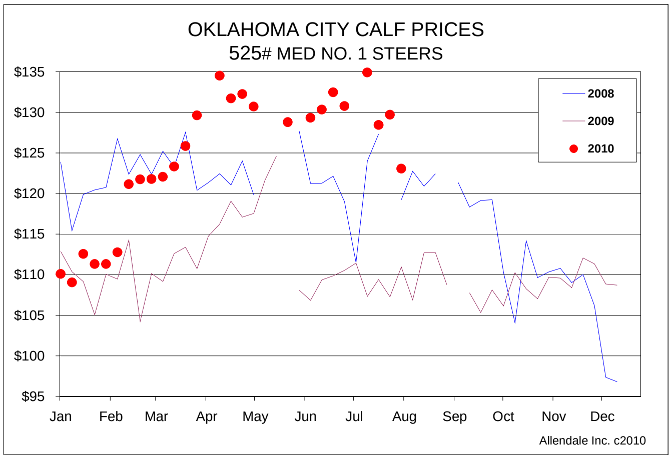
Advanced Charts Direction: Aug hogs have a gap in the pit chart @ 83.80. This contract goes off the board on Friday so look for a quick run to that price if we see a pop in buying…Bob Dalton

Live Cattle: Beef prices posted a surprise today. The final USDA meat report showed a $1.96 gain for choice and $1.71 in select. This may encourage futures to add a little premium tomorrow. Also of interest, you may hear a few in cattle country start to suggest last week's $93 trade will be a low point. At this point we are not convinced bulls should be running this market. We would prefer to hold our bullish expectations back until after August. We would be surprised to see the trade shake off Friday's week jobs report that early.

Calf Corner: At this time of year cow/calf producers are making plans for fall marketing of spring born calves. One good thing to note is current calf prices are running 11% higher than last year at this time. Declines in the breeding herd, made since 2006 are paying dividends. What is important to note here is the economy has not recovered in a big way but prices are much higher. We are at the point where declines in supply are getting feedlot concern. As these calves will hit the summer 2011 fat cattle timeframe, which we are bullish on, we do not look much weakness to hit calf prices into fall. Normally from August to October you can expect a $5 break in calf prices (because October is the biggest marketing month). This year, perhaps that break will be limited to $2 or $3. If/when the economy recovers you can expect a sharp increase in prices…Rich Nelson



Trade Recommendation:

- (07/21) Buy December 94.10, risk 93.00, objective 96.45.

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Advanced Charts Direction: Today the 20day MA held as support @ 92.58. Summer lows seem to be in so look to buy on breaks…Bob Dalton

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