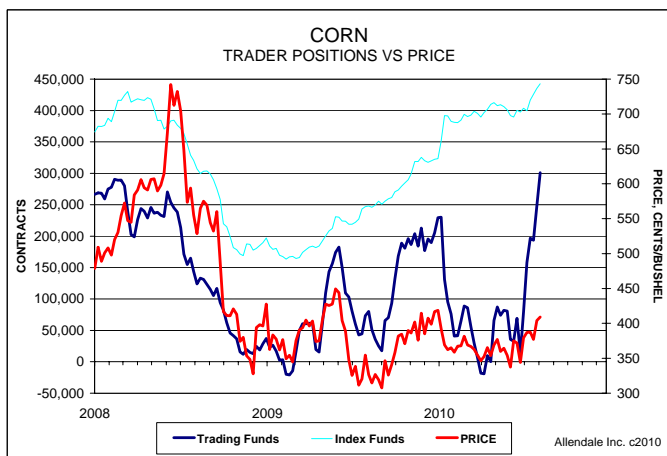


Allendale Wrap-Up for Business Day 08/16/10

Corn: Futures closed lower today after a morning rally took December futures to within 5 cents of the recent high. “Simply said, farmers were sellers and once funds saw wheat selling off, they dumped 4,000 contracts of corn in no time” said a trader. Today’s close is disappointing to the bulls as traders sighted Chinese government sales at auction were dwindling to 400,000 tonnes. Most retail traders thought this was due to tightening stocks and Dalian futures traded at new contract highs last night. However, cash traders said that the demand for Chinese government grain at auction was slow and minimum bids were not even being met as end users chose to draw on grain in storage and wait for new crop supplies. US corn being unloaded has also taken the edge off their market. Cash traders also note that normally the Chinese government buys corn going into harvest to rebuild reserves. They however do not expect any



rebuilding of reserves until prices fall and the pipeline is satisfied. In other news the CFTC reported index funds long 443,000 contracts of corn and trading funds long 301,000. Based on records provided by the CFTC this is the largest combined position of speculative money. The small trader is pretty neutral and the commercial is short. This means that the funds will need to continue to buy into the market with large volume in order to maintain profitability. Many are concerned about the vulnerability of the market if the corn yields remain strong or if Q4 economic uncertainty causes de-leveraging.

Today’s export shipment report showed 31 million bushels shipped versus 70 needed to meet USDA’s projections. If it were not for donations, exports for 2009 crop would be revised down 20-50 million bushels. Crop conditions, out this afternoon, were 69% good to excellent versus 71% last week and 68% last year. Corn dented is 32% versus 9% last year and 22% normal. Thus it is WELL ahead of normal. WARNING – crop conditions normally decline into harvest as plants finish out and look horrible. Is this crop finishing normally since it was a few weeks early to start? Or is the crop finishing lights TW because it “gave-up” under stress conditions? We even have one report of corn harvesting in central Illinois.

Tour Time: Our friends are conducting a private crop tour and many stories are out about the variability of the crop. We believe that you are the best judge of production potential because you know your field. We want you to participate in the Allendale survey. In doing so, you get the data before the public does. Please either call us or go to our web site and participate.

Direction: Bullish traders are now focused on 465 as long as support at 405 holds. Fundamentally, in order to justify such a move, the yields would have to fall below 163 and more likely towards 160. We will watch this support closely and believe if 405 is taken out we could see a significant sell off with 360 and 330 objectives likely. Producers (hedgers) are completing all box strategies for a cost of 6-20 cents for the 2010 crop and some have poked at some “flat price” sales (futures) on this rally. We are also seeing some great profits locked in with a BOX on 2011 at a cost of 10-26 cents (today the 450-500 box was 22 cents). For short term trading we are still willing to buy near support or sell against resistance...Bill Biedermann

Trade Recommendation:

- (08/12) Sold December 432, risk 440, objective 410. Closed 422 3/4.

*****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: Corn took out last Thursday & Friday's highs near 430 today and looked like it was going to challenge the 438 high, but then faded into the close. There is still an uptrend in place and support is holding at 415 & 410...Monica Moehring

Soybeans: Once again China came in to purchase another 220,000 tonnes of beans this morning. Their daily buying streak continues. Unfortunately for the bean market, it looks as though traders have become very bored with these regular purchases and may now even be expecting them rather than being bullish from them.

ProFarmer started their crop tour today so we will be seeing pod counts on a daily basis throughout the week. Even though these pod counts are not known for being the best estimate on yield, it is what we have to go on, for now. Early estimates from South Dakota showed pod counts higher than last year and a more consistent look to them.

From the producers we have talked to, it appears most would say the beans look good. There is some sudden death found in the beans however. We see that in the beans locally and there has also been talk of that occurring in IA and further south in IL. One bright point is that this sudden death is occurring after a fair amount of pods have already been put on. We will have to wait and see what the tour has to say about that. The trade generally remains skeptical of this tour as it always seems their numbers are bullish. The market will pay attention to them this week, so they can't be ignored. Make sure to call in about our yield survey this week. We hope this farmer-driven survey provides a more accurate number than what we will be seeing by tours. You know your fields better than anyone. What caused the most influence today was the fund selling in wheat which quickly spilled on over to beans as well. This is all part of the trade we have been mentioning to watch out for. Funds still have a sizeable long position so more potential selling is possible.

Direction: *From the technical standpoint the uptrend was not taken out, still suggesting a higher move.* We expect support from the current crop tour as well as continued China buying this week. All of this can be trumped by additional fund selling like that seen today. Right now we are looking at mixed signals but breaking the uptrend, at about 1020 November, would result in technical charts looking poor. That same level could draw heavy fund selling as it did in wheat today...Ryan Ettner

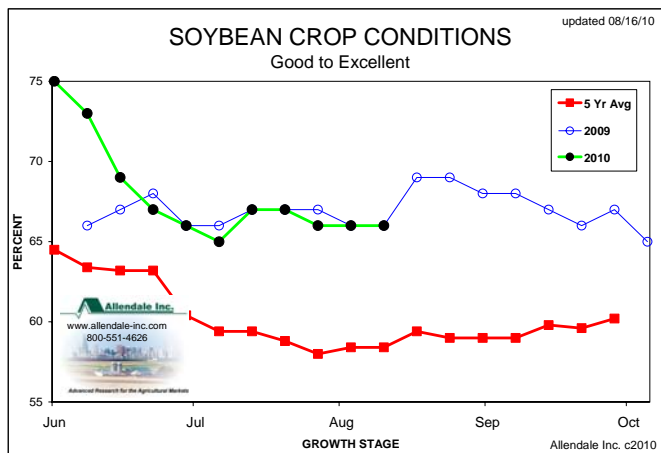
Trade Recommendation:

- (08/13) Buy November 1024 OCO sell 1045, risk 12 from entry, objective 25 from entry.
- (08/16) Sell November 1008 stop, risk 1021, objective 984.

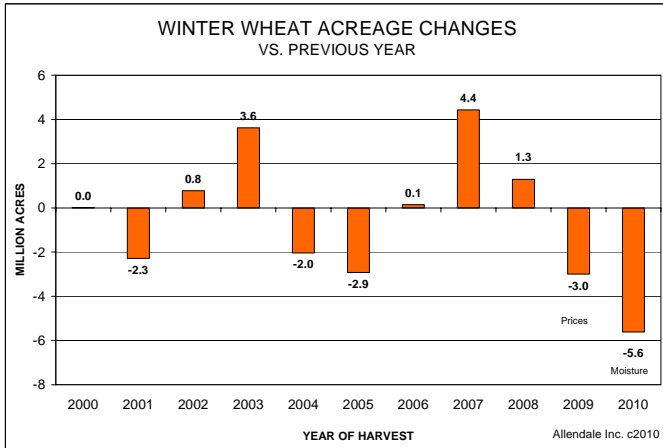
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Advanced Charts Direction: Beans came within a half cent of the most recent high at 1049 today, then sold off into the close. There is key support down at 1011 1/2 that if broken might confirm a top. We got short at 1045 today and will risk to 1062...Monica Moehring

Wheat: Some will say today's sell-off can be blamed on rumors of a revised weather forecast for Russia. The floor suggests midday model runs showed more rain for some of the problem areas. Another issue that we raised last week is that the trade may have had another day or two to digest USDA's report. Even with those dramatic changes there is no wheat "shortage" to speak of. We will end the 2010/11 marketing year with "above normal" stocks. It was also interesting to see today's price decline happened



when SovEcon suggested another revision may be made to Russia's crop. This market's psychology has changed.



- (08/09) Sold 1 Dec Chicago 900 call 29, risk to 47, objective 0. Closed 14 3/8.
- (08/11) Sold 1 Dec Chicago 870 call 26 5/8, risk to 44 5/8, objective 0. Closed 17 3/8.

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Advanced Charts Direction: KC wheat closed below 38% retracement today at 7.06 3/4. The 20 day MA is just below today's low, but may get tested as early as tomorrow. A close below 50% retracement should confirm a top in this market...Monica Moehring

Softs Summary: Even after a weaker dollar, sugar fell and broke below support. Cotton started higher and finished 16 points lower on the session. Cocoa is near the low end of a sideways range and closed only 4 points higher. Coffee made new highs and point to the 190.00 target if the funds continue to buy. Orange Juice broke below solid support and looks like more liquidation is in the short term future.

Cotton: December cotton finished lower but is still in a solid uptrend. Even with the increase in the nearby contract we still feel the spread between the March and December should narrow in. We feel it is still giving you a chance to get in as it sits near 2 cents premium the December. The funds are still buying the nearby contracts due to a bullish USDA report last week.

Coffee: Coffee is giving us an opportunity to get some puts bought to protect lower prices. The charts look strong so we don't want to test the water with futures but the options will give us staying power in a volatile market. The funds have been long in coffee and they continue to buy for now. We have a target near 190.00 in the December contract over the next few weeks. As we approach that target we will look at a spread so watch the recommendations in the coming days.

Sugar: Sugar fell had after testing the long term trend line. We are looking at selling strength tomorrow. If would like to sell a retest of 19.10 with a stop above today's highs. You will find good support near 18.50 and 18.10. The long term trend is down and we will try to go with that trend as profit taking should push the October contract lower over the next few sessions...Steve Georgy

Working Trade(s):

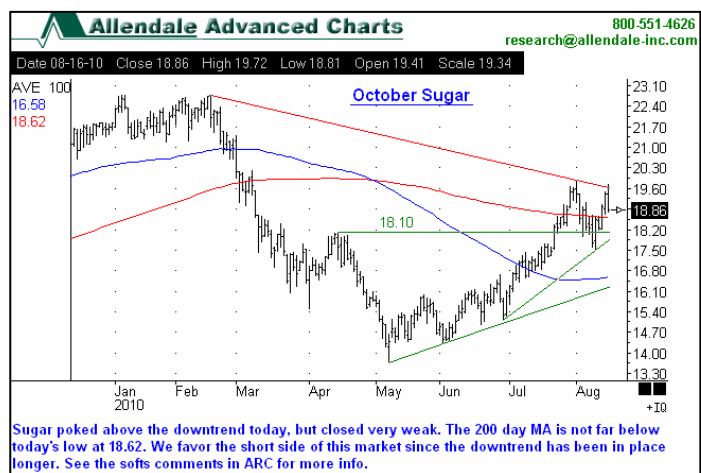
- (8/2) **Bought March Cotton/Sold**

Direction: Last week we suggested this market could make a rebound to 775 before finally calling the bull run quits. The market got to 765 and that was it. Last week we had shifted to neutral/bearish last week and had been active in selling calls. Now we are bearish. Any producers who are considering adding extra winter wheat needs to get this July contract sold...Rich Nelson

Trade Recommendation:

- (08/16) Sell 1 Dec Chicago 708, risk 724, objective 660.

Working Trade:

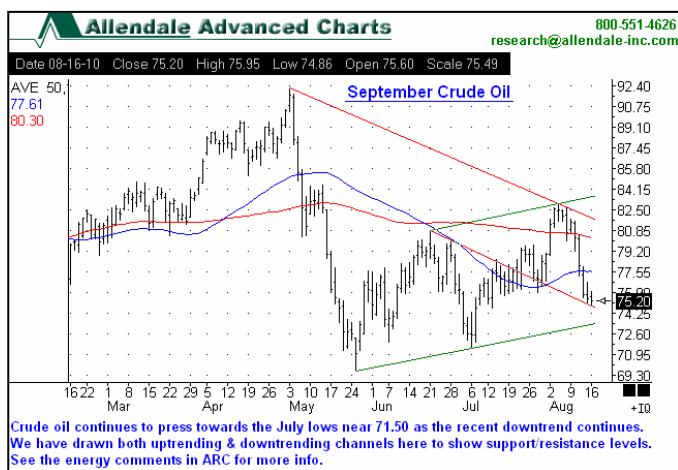


December Cotton at 2 cents premium December, Risk to 3 cents, objective 1 cent premium March. Settled today at 1.63 premium December

- (6/25) Bought **September Coffee** 170.00 calls/Sold 180.00 calls at 2.30, risk 0, objective 5.00(September coffee options expired for a \$862.50 loss)
- (6/14) Bought **September Coffee** 145.00 put/Sold 135.00 put at 3.40, risk 0, objective 7.00(September coffee options expired for a \$1275.00 loss)

Trade Recommendation(s):

- (8/16) Sell **October Sugar** at 19.10, risk 19.80, objective 18.10



Energies: September Crude Oil settled \$0.15 lower for the session today at \$75.24 which gives us the fifth consecutive lower settlement. Even though the U.S. Dollar was down sharply today, poor economic data kept buyers at bay. Disappointing growth numbers out of Japan speak directly to future demand potential while U.S. homebuilder sentiment dropped for the third straight month. Some may have also ignored the lower U.S. Dollar today thinking that it is a necessary correction after last week's sharp rally. The last time we saw a five-session drop in Crude prices like we've seen recently was going into the July 6 bottom when Crude dropped \$6.27; today's

drop brings the five-session tally to \$6.24. On a strictly technical basis, the chart does offer some reasons to step in and buy, but the fundamental factors keep us on guard. Crude has been stuck in a pretty healthy range and we could easily argue that fundamentals really haven't mattered very much over the past few months so we will have the recommendation to buy based strictly on the chart, but our own bias is to sell a rally before buying support...Brian J. Splitt

Trade Recommendation(s):

- (8/13) **Sell October Crude Oil** 79.25. Risk 81.55. Objective 74.25.
- (8/13) **Buy October Crude Oil** 72.25. Risk 69.75. Objective 79.25.

Technical Commentary: Crude Oil is a market that is trending higher long term, but the short term trend is down since August 4. Close in support for September Crude will be today's low of 74.86 with 74.70, 73.75 and 72.60 providing further support. The June low of 71.92 and the July low of 71.47 will provide support above 70.00. Close in resistance will be 76.00 with 76.80 and the 50 Day Moving Average at 77.60 adding resistance; 78.55 and the 20 Day Moving Average at 79.00 adds resistance just above. The July high of 79.69 provides resistance just below 80.00 while the June high of 80.82 provides resistance just above 80.00; the 200 Day Moving Average sits just below 81.00. Next resistance is near 81.75 with 82.65 and last week's high of 82.97 as further resistance. Stochastics are pointing down and are oversold.

Copper has an inside bar going on the chart currently as the market moves into a wedge formation. We will place a sell order near the top at 337.00 since the downtrend has been in place longer.

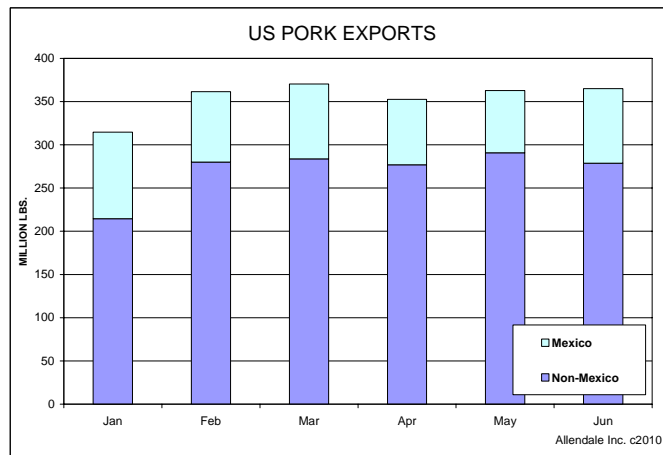
Lean Hogs: Mexico has announced they will slap additional duties on pork and a range of US products. This comes in retaliation to the efforts of US transportation to get Mexican trucks off our roads. The US transportation industry feels Mexican trucks are not up to the same standards as their US counterparts. Pork is one 54 agricultural products that are being affected. The actual tariff level will be released later this week. This is important news. Mexico is our second largest market for pork exports. Through June they accounted for 24% of all pork exports. If Mexico banned US pork completely, which we do not

suggest, it would take off 4.00 to 8.00. We have to suggest tariffs will have moderate effect and look for a 2.00 to 3.00 break.

Direction: With this Mexico news, and the ridiculous trade disruptions which continue with Russia on the poultry side, we are not confident this market can muster that small rebound to 76.00. We are putting our bearish hat on our head and will ride the seasonal move lower...Rich Nelson

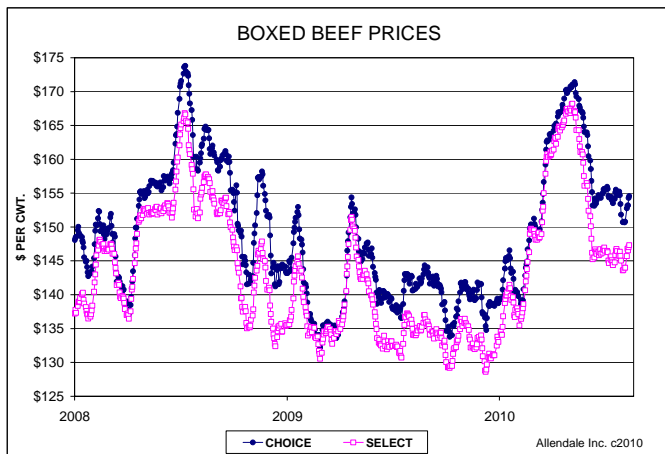
Trade Recommendation:

- (08/16) Sell October 75.10, risk 76.60, objective 72.90.



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Advanced Charts Direction: Hogs posted an inside bar on the chart today, again having trouble getting above the moving averages. We remain short from 75.50 with a stop at 76.00. The overhead gap is still a possible upside target at 75.80...Monica Moehring



Live Cattle: Buying for Labor Day, good export news from Friday, and strong recent wholesale beef prices are keeping bulls in control here. Another issue to note here is slaughter weights are remaining below last year. Recent heat in the plains will help keep it that way for the near future. That is taking 1% off beef production by itself. While we have been longer term bullish for some time we wanted to hold off for more reasonable prices before buying. It appears price breaks here will be more limited than thought. The entry price on the trade recommendations has been moved up. We are not interested in locking in prices for cattle feeders

at these levels. It is interesting to note April 2011 is at the same price as the 2010 contract ended at. Figure lower supply and better demand next year and it could imply April should be around \$105 at expiration...Rich Nelson

Trade Recommendation:

- (08/16) Buy December 94.80, risk 93.80, objective 97.25.

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Advanced Charts Direction: Cattle posted a new contract high today at 97.17, but closed well off this high. The market also tested support at 95.15. This strength filled our long objective at 96.80. We may consider buying again near the uptrend...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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