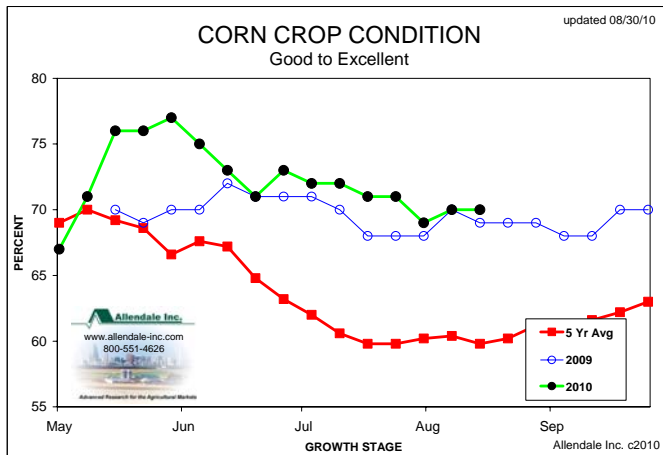


Allendale Wrap-Up for Business Day 08/30/10



Corn: Allendale is now compiling the yield data taken in over the last three weeks will report the results this Friday at 7:30 am. The market was up another 5 1/2 cents today on talk of reduced yields. To give you an idea on the variance of yields, the following yield reports were turned in today:

- **Newman IL** (Southeast) Yield: 180 (expected 160) TW: 54 to 56 lbs Moisture: 18 – 20%
- **Mt. Erie, IL** (southeast in Wayne Co.) 150bu. Expected 165. 18%
- **Montgomery Co IL** (southwest) 167-240 yield, 194avg v 184 estimated. Pleased.

- **Charleston, IL** (East Central), good ground, Agrigold Plot
 - Plot Averages: 55.2 tw, 23.1%, 226.0, Check Averages: 55.9 21.9 218.5
- **Murray Kentucky:** 120 light ground
- **Owensboro Kentucky:** 263-268 creek bottom, Pioneer plot

Keep those reports coming in!!

Crop conditions came unchanged vs. expectations for a 2% decline. We had expected lower ratings to help push our yield model based estimate to decline towards 164 vs. 165.1. Some traders are now factoring in a yield as low as 158 according to what we have heard in the commercial sector. We recognize that yields have fallen from 165-167. However, we want to point out that the nitrogen loss and disease ridden crops, have dried down the fastest and are the fields being harvested. It would only make sense that these fields will have the lightest yields and when we get into fields that are drying down a little more normally (even under dry conditions but without the disease problems), we will see better yields. A testament to this idea is the good yields we are seeing on test plots.

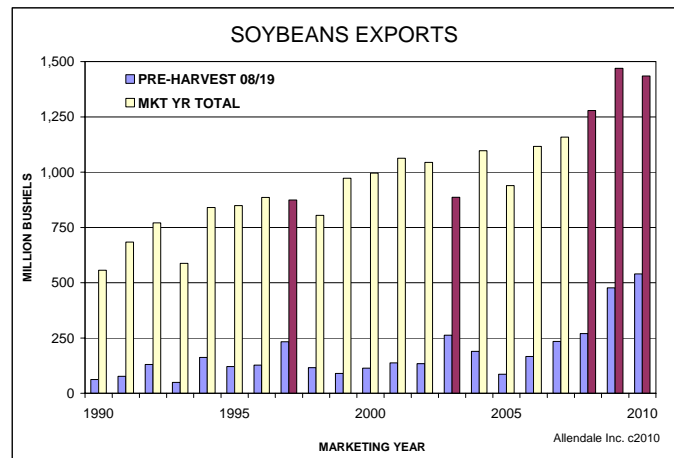
Short Term: Expect 430 to hold this week but rallies to find resistance ahead of the three day weekend. Funds are long a record position of 433,000 (index funds) and 346,000 (trading funds). ALL economic data that has come in the last 12 days has been bearish the economy for Q4. Thus we would expect some investor “de-leveraging” of commodity positions as we move into Q4 and harvest. Harvest will be in full swing next week (after the 3 day weekend) and with a weak tone to cash markets and 5.143 million bushel already in deliverable position, it would be logical to expect convergence going into the delivery process. Lastly, the latest rumor out of Washington suggests the EPA might expand the blend to 11-12.5% from 10...BUT Congress will not expand the amount of money or credits for ethanol and in fact many are starting to think they will reduce the credit. The opinion of everyone I talked to about this is that money rules how much will be blended...regardless of what EPA says. Thus even though the market has a strong tone and technical objectives around 450-460, we expect the fuel for this trend to run out of gas and for the seasonal tendency to decline into Q4 to take over.

Direction: We still feel the seasonal trade is to be selling but until the chart actually confirms the summer high, we are simply probing the market. Producers should be 75% hedged by now. If you are not there, call us to review strategy. Producers and end users should also start strategizing on how to retain ownership into the spring of 2011 using 0-3 cent 3-way option ideas (obviously we do not want to do this today but when the seasonal low is typically put in, then these positions could be implemented)...Bill Biedermann

Trade Recommendation:

- (08/27) Stand aside.

Soybeans: For the last few days this bean market has struggled to keep up with the move higher in corn. It would eventually find a bounce late in the day. Today the struggle seemed tougher than ever. With corn trading as much as seven cents higher, beans tested being in the red three different times before selling into the close. This market attempted to stay optimistic as 1 PM approached there still was no support to be found allowing selling to take over. Beans are still a market which has had a tough time moving high enough to be considered technically bullish.



Exports have been on a very good pace lately but that does not translate into year long active buying. Going back over 10 years, the most recent four years that had active pre-harvest exports had 2 of them with good year end numbers and 2 without. In all, that means that current buying does not guarantee good numbers for the rest of the year.

As this market continues to be technically traded, we have to keep a close eye on tomorrow. It is the last trading day of the month and also a potential turnaround Tuesday. There are two reasons to find a tough day of selling tomorrow. On the same note, selling for those two reasons would not suggest a longer term move lower even if they are significant. We still have some time before hearing yield reports. First harvest reports will be expected from the Delta which is looking to pick up rain over the next couple days keeping those estimates on hold for now. Technically, this market still looks weak and fundamentally the best we have for yield estimates are guesses. SDS makes any yield guess tough so we will just have to continue waiting to see what we get.

Direction: There is a chance at seeing this market stumble tomorrow during end of month fund selling. This would not be enough to suggest a turnaround in the recent move higher. Unless there is at least a two day break about to occur we will continue to expect this market to lag behind the other grains while moving higher this week...Ryan Ettner

Working Trade:

- (08/30) Stand aside.

Wheat Action Plan

Trading Bias: There are only minor bullish issues left for this wheat market. Expect these small news events to provide only short term support.

Working Trade:

- (08/09) Sold 1 Dec Chicago 900 call 29, risk to 47, objective 0. Closed 17 1/2.
- (08/11) Sold 1 Dec Chicago 870 call 26 5/8, risk to 44 5/8, objective 0. Closed 20 3/4.
- (08/25) Sold 1 Dec Chicago 725, risk 739, objective 695. Closed 704 1/2.

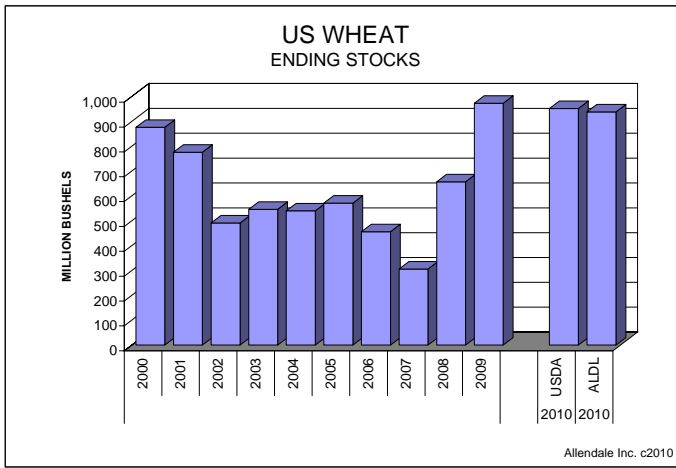
Grain Marketer Advice:

- 2010 wheat crop is 75% sold for an average cash price of 630 3/8.
- 2011 wheat crop is 70% sold for an average of 734 in July futures.
- No new sales recommended at this time

Complete details of Grain Marketing Recommendations can be found by [clicking here](#)

Closing Comments

It was interesting to see today’s mix of slightly supportive news stories (Argentina and Australia weather concerns and Pakistan confirming it would not export this year) were not able to keep prices elevated. Though the trade is expecting USDA to tighten up the world and US numbers a little on next Thursday’s

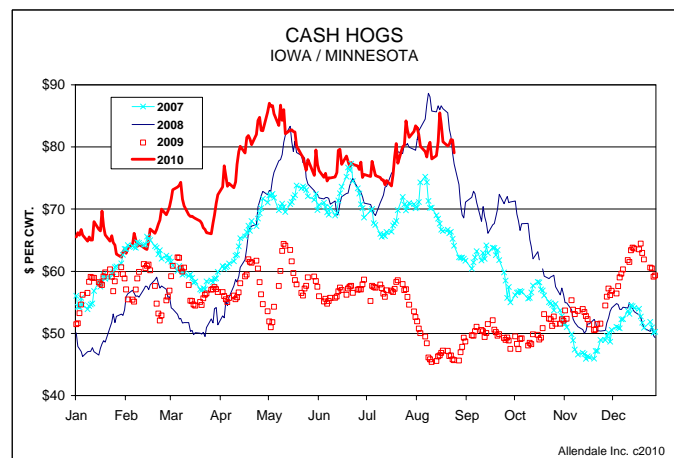


supply/demand report, it will still not affect things. World ending stocks will be larger than average. US ending stocks will still be clearly burdensome.

Spring Wheat: USDA stopped updating the ratings of the spring wheat crop as harvest is winding down. Last week's 82% good to excellent rating was the best finish we have seen. The six states producing spring wheat were estimated to be 69% harvested compared with the 75% five year average. We will note #1 producer North Dakota has run through 74% of its acreage. For most purposes, there are no yield threats

left...Rich Nelson

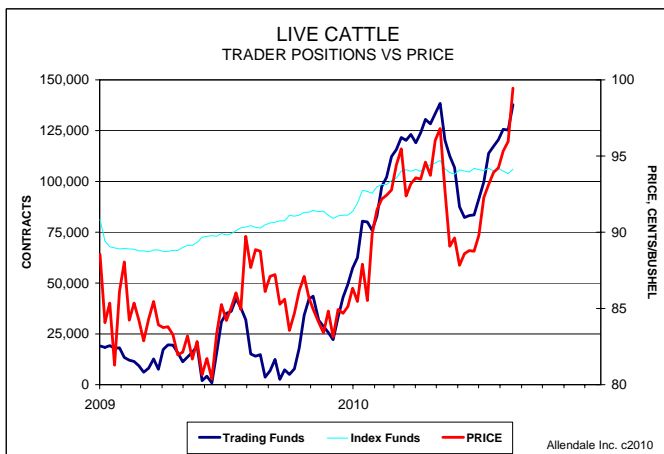
Lean Hogs: It appears the recent high made on the 19th in futures is going to stick. Four days of lower cash pork prices Cash hogs are looking at a \$7.91 break since their peak in the 18th. With slaughter levels back to where they should be, and next week's reduction in the kill scheduled, it would appear the seasonal break in prices is still intact. On the pricing end October looks to be fairly priced at \$72 to \$73. Producers should have 75% of expected marketings through April locked up...Rich Nelson



Working Trades:

- (08/25) Bought December 72 put/sell 78 call .25, risk to -1.75, objective 3.50. Closed 1.77.

Live Cattle: Last week's long position in trading funds came within just 592 contracts of breaking that high level from May. The chart shown here makes a pretty impressive case for being wary of the bear side.



Having said that, we are seeing more reasons developing for being neutral to bearish than straight out bullish. The plethora of bearish economic stories has caused livestock economists to slowly dial down some their expectations of US consumer demand. You have to ask whether cash cattle at \$99 or \$100 are really a correct price for the end of August. Friday saw wholesale beef close lower. Today it closed mixed. At the very least this market is now neutral instead of all out bullish...Rich Nelson

Working Trade:

- (08/19) Sold December 95 put 1.35, risk 2.80, objective 0. Closed 1.07.
- (08/26) Sold December 102 call 2.50, risk to 3.30, objective 0. Closed 2.50.

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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