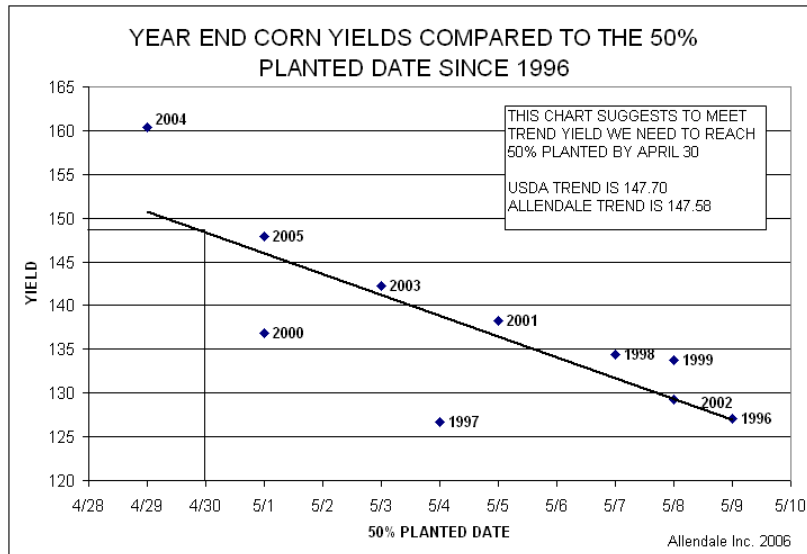


## Planting Good, Stocks Good, Price Good 5/01/06

Allendale is registered with the CFTC and NFA and is a member of the NIBA. The bottom line is we are a regulated firm which can be extremely important in this day and age.

**Corn Fundamentals:** the 27% increase in the Midwest planting pace for last week is the second fastest for that particular week of the planting season since year 2000's 30% one week increase. The latest 6-10 day forecast col temps east and above normal west with precip forecasted above normal in the east and central corn belt. The two week forecast above normal temps for the cornbelt with above normal precip in the northwest cornbelt and normal to below normal for the east states of IN and OH. These forecast suggest a window of opportunity to plant corn but potentially under less than ideal conditions. With copious amounts of moisture, the biggest factor needed now is warm temps to help dry off top soils.

**Planting Pace:** normally for the first week of May, we pick up on average a range of 19 to 26% increase, with a three



year ave of 22%. With average weather conditions this could suggest next Monday's planting progress to be 74%. At 52% as of Sunday (five year ave is 42%!), OH, IL, IA, MN, NE and MO are well advanced in its state's planting progress, IN, SD, and ND are lagging its five year ave. At 52% complete as of May 1st, our research suggest the Midwest has a good shot at trend yield for the 2006 crop. Anything less than 50% planted as of May 1st, our research suggest trend yield has the ability to suffer.

**CFTC/Price Report:** not since 1995 when the CFTC began keeping records of the non commercials net position of combined futures and options have the funds been as long as they are estimated to be entering today's trade. The floor trade estimates a

net long position of 221,900 contracts. Funds corn position is beginning to look a lot like the funds Gold position as well as the KCBT HRWW funds position this late last winter. Funds have a perception corn is now more suited for fuel than for feed or exports. This is important to know as when the day comes they no longer have as much interest in holding longs for fuel or as a hedge against inflation, the liquidation of its long could also set a record.

**Quarterly Corn Stocks:** March 1 Quarterly corn stocks on and off farm of 6.987 bil bu suggest June 1 quarterly corn stocks could come in at 4.692 bil bu which would be 37% higher than the three yr ave and 32% higher vs the five yr ave for 3rd quarter stocks.

**Dec Corn Futures:** suggest a Dec futures high of 2800 near term and correction to 2200 before the summer season could take futures back up to 2800 with a maximum high of 3000 under extreme conditions. Our fall low suggest a price of 2300.

**Dec Corn Five Year Ave:** the most recent five yr historical ave suggest Dec corn peaks now and grinds lower into late May. A retest of the April high has been noted in early June, consolidates July through the middle of September and then slides into the fall harvest.

**Five Year Ave Cash Price:** the five year ave cash price for corn for the month of April \$2.14, month of May \$2.14 and month of July \$2.03.

**New Crop Marketing:** it is highly advisable to take advantage of new crop hedging at present levels. In order to cover these hedges we also recommend each hedge placed be covered with a vertical call spread to help offset not only hedge pressure just in case funds decide another dollar needs to be added to the current value but to reduce the amount of time value paid for outright long calls.

**Bean-Corn Ratio:** the CBOT floor trade perception for corn acres to steal from soybean acres needs a bean-corn ratio of 2.19 to 1. At the close of business for the planting intentions report the ratio was 2.25 to 1. Tonights closing ratio is 2.31 to 1.

**Corn Technicals:** last Fridays July futures close 2490, todays futures close 2480. Our short term Moving Average indicators are 2450-2470 and 2480. Last Fridays Dec futures close 2716, todays futures close 2714. Our short term Moving Average indicators are 2680-2690 and 2700. Viewed as support.

**Trade Position:** we are long futures based on the funds interest in corn based ethanol. Working against us is a rapid planting pace and technicals.

**From the Field:** If you would like to share the highs and lows of your own experience please call 800 262 7538 or e mail [research@allendale-inc.com](mailto:research@allendale-inc.com)

**Soybean Fundamentals:** see today's Player page of our Advisory Report. You will see and read our take on soybean oil (perceived as soybean diesel futures). A point of interest is how Moore Research Center shows graphically how July soybean oil has a tendency to peak in the month of May and finds a seasonal bottom in the month of June. Entering today's trade funds were estimated to be long 51,000 combined contracts of futures and options. Bird flu continues to dampen feed demand. Domestically the poultry sector is responsible for using 50% of the soybean meal and 27.3% of corn dedicated for feed use.

**Planting Progress:** most pre release estimates for soybean plantings were held in a range of 2 to 6%. The National Ag Statistics Service estimates the progress as of Sunday at 10%! Vs a 5 year ave of 7%. States which are a minimum of at least double digit ahead of its 5 year ave are AR, MS, and LA. Only IN shows a significant 6% lag for its present pace of 5% vs the five yr ave of 11%.

**Soybean Crush:** profit margins for crushing soybeans are at levels last witnessed in the summer of 2004. Margins are approaching 80 cents when full production mode is typically held in a range of 60 to 75 cents. Crushers appear to be wading in profit and there are plenty of old crop supplies to be had. See the quarterly stocks section below.

**Quarterly Stocks:** March 1 Quarterly stocks on and off farm of 1.669 bil bu are a record and suggest June 1 quarterly stocks could come in at 1.077 bil bu which would be 89% higher than the three yr ave and 73% higher vs the five yr ave for 3rd quarter stocks. Based on the USDA's March 31st planting intentions report, if farmers follow through with their intentions, projected end stocks for 2006/07 are 721 mil bu vs a five year ave of 311 million bushels. Dating back to 1980 the largest soybean end stocks are the 2005/06 estimate of 565 million bu. Before that, 536 mil bu in 1985.

**Price Projections:** Allendale price projections for Nov futures are estimates to trade in a range of 5500 low to 6500 high throughout planting, into the growing season and into the harvest.

**Nov Soybeans Five Year Ave:** the most recent five yr historical ave suggest Nov futures consolidate in the months of April and May before walking higher into June and July. After hitting its historical peak in early July, futures have been known to sell off into October.

**Five Year Ave Cash Price:** the five year ave cash price for soybeans for the month of April \$6.03, month of May \$6.16, month of June \$6.22, month of July \$6.25 and month of August \$5.81. Price may not be as important as the trend and timing. Also please understand your cost to carry a bushel of soybeans in your on farm or in elevator storage bin. Reflective in the May to June cash price is five cents carry which in most cases could cover the vast majority of on farm storage cost but not cover the farmers cost at the in town elevator.

**Soybean Technicals:** last Fridays July futures close 6010, todays futures close 6010. Our short term Moving Average indicators are 5860-5840 and 5830. Last Fridays Nov futures close 6040, todays futures close 6206. Our short term Moving Average indicators are 6100-6090 and 6020, key support.

**Historical Price Trend Page:** take a look at the odds for success this week and then the risk for the four week cumulative column. This historical data may be worth using for new crop hedges but to make certain to have the hedge covered with a call or bull call spread just in case the funds do not understand what 89% higher than three year ave June 1 quarterly stocks or more than double 2006/07 end stocks vs the five year ave really mean.

**Trade Position:** we reversed to a long for old crop July futures based on a penetration of key Moving averages. We have written orders to buy new crop against key technical support.

**Wheat Fundamentals:** crop conditions estimates called for steady to 2% higher than last weeks 39% good to excellent ratings. They fell 3% and could be viewed as supportive to futures. The Kansas wheat tour is underway this week. Given the poor quality ratings of Kansas HRWW wheat thus far this early spring we do not hold out much optimism for many good reports. Kansas wheat rating did drop by 4% from last Monday's condition report to this Monday's. The states poor to very poor ratings dropped 6%. Spring wheat plantings were shown as very much delayed in the states of ID and WA last week with prime grower ND 7% behind its five yr ave. This week ND at 32% has equaled its five year ave.

**Wheat Technicals:** key custom Moving Averages for July wheat futures are as follows: CBOT's SRWW ='s 3600-3630 & 3650, tonights close 3650, KCBT's HRWW ='s 4370-4430 & 4440, tonights close 4380, and MGEX Spring Wheat ='s 4270-4290 & 4260, tonights close 4226.

**July Wheat Futures:** seasonally 5 yr ave July futures hit its peak in the month of April, slide into the month of May, correct 50% into June and then slide into new lows in the month of July.

**Trade Position:** we have entered into the short side of wheat for the CBOT, and KCBT exchanges based on recently poor performing futures interest even though fundamentals for the large part are bullish.....Joe Victor

**Lean Hogs:** The immigration rally brought slaughter down to 183,000 head. That was generally close to expectations and was lower than 375,000 head posted last Monday. Packers may be a little more excited about buying cash hogs in order to run a full kill schedule. That could renew the cash hog rally. Overall this market is following the forecast rally which usually peaks around the first or second week of May. Last week we sold 50% of expected marketings through December and will add the remaining amount in the coming weeks. The trade took the news of New Jersey finding a mild form of bird flu pretty well. Also of interest Tyson Foods, the nations largest poultry company, reported Jan to Mar chicken segment profits of a paltry \$9 million. In the previous four quarters their chicken segment reported gross profits from \$123 to \$198 million.

**Live Cattle:** Time for a live cattle market bottom? We noted two weeks ago that live cattle prices had filled our downside objective. It was not time to call a bottom yet as technicals (the charts) have remained in a downtrend and seasonals show futures typically bottom around mid May. Today feeders led the way early on as Oklahoma City noted gains in its feeder auction of \$2 to \$4. Part of that is likely the rains which are improving pastures in the plains. Demand for grass cattle is starting to pick up. The other part is simply from numbers. Seasonally feeders should have already bottomed and should be on an uptrend. The interesting thing about today was the live cattle based rally. While we have not broken any resistance levels and are still in downtrends we can argue a 'double bottom' type of formation is becoming easier to swallow. Near term, today's cattle kill was reduced to 31,000 head. That was a less than expected and certainly less than last Monday's 116,000 head run. The immigration rallies reduced the cattle kill a little more than expected. Also, there is talk running that packers may bid steady to higher for cash cattle later on this week. From a fundamental standpoint they have no reason to. Market ready supplies will continue to build for the next few weeks and cash cattle prices may likely continue their downtrend no matter what futures do (that is a normal relationship during summer). The main reason they may become more aggressive is finally cash cattle prices have declined enough to be profitable. Tyson Foods, the nations largest beef packer reported astounding losses in its beef segment of \$188 million in the Jan to Mar quarter. The biggest loss before that was \$64 from Oct to Dec of last year. Packers may act a little too eager to try to make up for those losses now that margins are back in the black. For trading we would rather by the far deferreds rather than the summer contracts. February futures are pricing in \$83 cash cattle. The previous two February's saw \$87 and \$89. We could be actually pushing through lower amounts of beef by next spring and could see prices at or above those noted. We have placed a lot of extra cattle since fall and feeder supplies for finishing by next spring may be dwindling...Rich Nelson

As always, if you have questions or comments, please call 800 551 4626 to discuss or send a e mail to [research@allendale-inc.com](mailto: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. c2006