

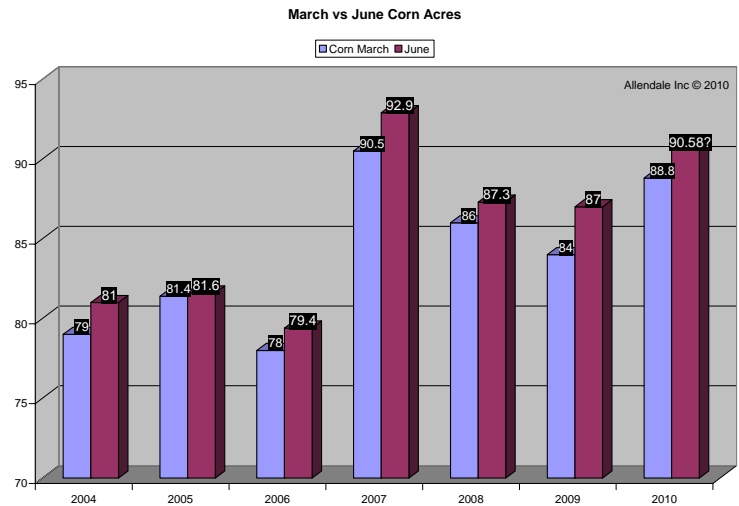
Corn

Since the beginning of 2010, old crop corn futures have lost 80 cents or 18.3% of value. Key losses were noted in the month of January USDA report which included a bigger yield of corn as well the largest stocks of grain on and off farm dating back to 1976-77.

The end of March planting intentions and quarterly stocks report reflected large stocks of grain which was bearish to futures and cash markets and yet did show the second largest use of corn dating back to 1976/77 with the exception of 2007/08.

At present we are beginning to plant what is expected to be the second largest corn acreage in modern history. If plantings continue to be uninterrupted, look for large stocks of corn and large planted acres to widen the prices between old crop (July futures) and new (Dec futures) as we approach the summer reproductive phase of corn near July 4th. We need to add our projected end stocks to use are 3% smaller for the crop we are now planting vs old crop end stocks to use.

Number two Argentina and number three Brazil have no problem exporting corn they are presently harvesting. For old crop USA corn which was harvested in the fall of 2009 there remains plentiful domestic stocks and end users can be immediate buyers of the cash inventory. Be aware present end stocks of 1.899 billion bushels are expected to shrink to 1.627 billion bushels at the end of the 2010-11 marketing year.

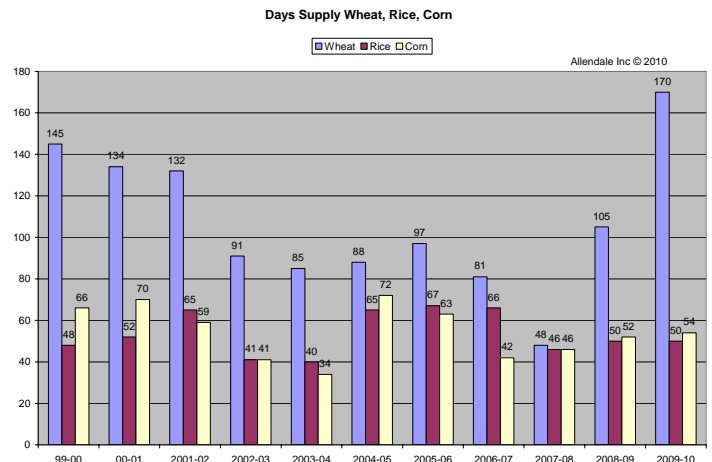


Wheat

Since the beginning of 2010 old crop wheat futures have lost 18% of their value. As demand driven as the soybean, soybean meal and soybean oil markets are, weakness has been an overriding factor for wheat. Typically 48% of the annual US wheat production is exported. This year was a very anemic 39%. This fundamental fact, along with poor economic recovery within the US labor force, has crippled wheat. It is interesting to note a very strong North Dakota spring wheat processor has been purchased by a Canadian Co. This does suggest to us there is light at the end of the tunnel and yet we respect the fact it is a very long tunnel.

Seasonals and a technical formation suggest wheat futures are moving higher to just before the July harvest. New crop cash wheat values are running 40 cents higher than old crop. If you can find good quality of old crop, you can be a buyer as an end miller user. Technically, old crop wheat futures (May) point to 5.17 per bushel and new crop (July) futures to a level of 5.29 per bushel.

Excluding last year the five year average end stocks to use have been 23% with last year at 47% and projected 2010/11 at 44%. This tells us cash and futures are anticipated to remain weak



Soybean Oil

Since the beginning of 2010, old crop soybean oil futures have lost only 6.6% of their value. From Jan 1 to Feb 1 soybean oil lost the most of its value of 14.3%. It is important to know soybean oil exports are expected to increase 48% in one year, soybean meal up 23% year on year and a big reason why they are holding a positive value despite record crops in South America.

Soybean oil for biodiesel production still is not working within the US. It is no secret foreign countries are buying palm and soy oil for biodiesel production which has a season average price of 35 cents per pound vs 32.16 cents per pound the previous marketing year.

Most recent fundamental news has China wanting to export steel pipe, shoes and toys to Argentina for its soybean oil. China has an incredible labor force and if the worlds #1 exporter of soybean oil will not get the clue, then beans will be bought from Brazil and the US with palm oil being purchased from Malaysia.

Technically speaking old crop soybean oil is in a wedge formation and the weekly charts suggest we are running up against resistance. Now is not a good time to buy soybean oil as an end user. Funds (which trade in and out of a market) remain mightily long soybeans, soybean meal and soybean oil. This is not end user friendly.

Use an average planting-reproductive pace for soybeans and by Fall suggest a better opportunity for soybean oil end users to cover three to six months of needs.

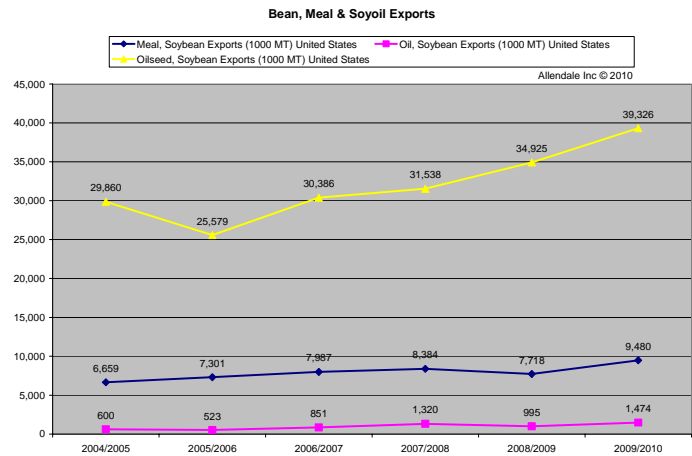
Allendale Inc is neutral/bullish old crop soybeans/soybean oil and soybean meal but bearish to new crop soybeans (fall 2010 harvest) as the likelihood of the second largest US soybean production could present stocks to use of 10% for the US vs year earlier levels of 6%.

We welcome your questions and comments.....Joe Victor

Allendale Inc welcomes any questions you may have by calling 800-551-4626 or e-mail research@allendale-inc.com

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