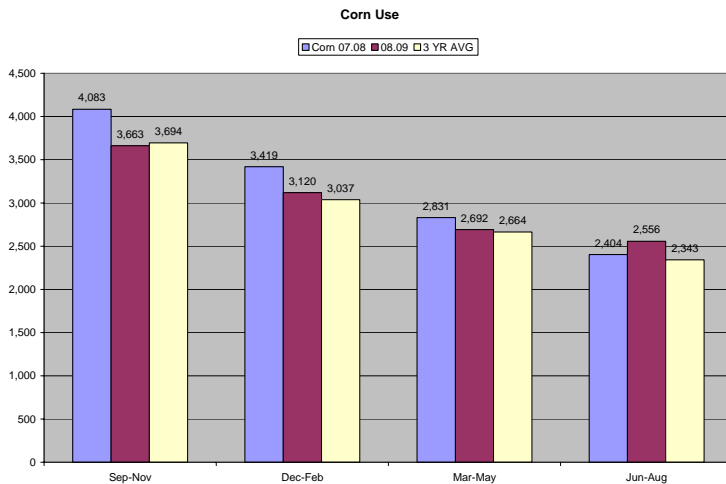


# And The Winner is....

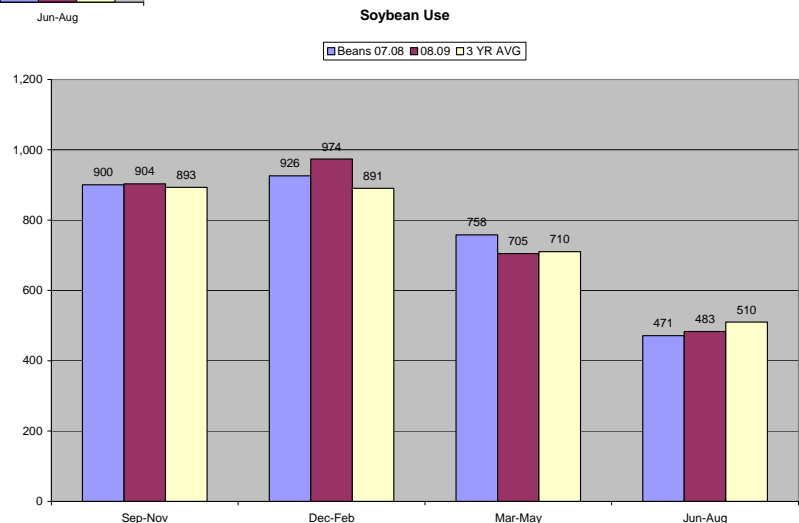
Based on the data from Wednesday's USDA Quarterly Grain Stocks report the clear winner for the most usage in the most recent three months is corn. Price enthusiasm whether cash or futures is tempered as we grind our way into a fresh harvest, but the industry has to respect the fact corn use of 2.587 billion bushels is first and foremost a record. Never before has corn use achieved the level set as well as bettering the most recent three year average for the fourth quarter of 2.343 billion bushels and five year average of 2.249 billion bushels. Allendale Inc's research

suggests the main usage drivers in the most recent quarter are within the corn for ethanol and export sectors. Allendale Inc suggest fourth quarter use year on year was estimated to have exports up 5%, ethanol use up 10% and feed and residual use flat with a positive growth trend in poultry offset by beef and dairy. A final observation on the stocks of corn does create one question, with on farm corn stocks up 22% and off farm stocks down 5%, how aggressive does corn basis have to be from the country elevator when we approach the final stages of this year's harvest?

Runner-up to corn is the soybean as fourth quarter usage data for 2008-09 suggest 458 million



bushels, down 2.8% year on year and most surprising is how usage was 10% lower than the most recent three year average. When observing the soybean use chart keep in the back of your mind the patterns of the two most recent years which have revealed how 1<sup>st</sup> and 2<sup>nd</sup> quarter use has been stronger than its five year average and how this most recent year 2<sup>nd</sup> quarter use was stronger than 1<sup>st</sup> quarter use. This may imply demand driven first two quarters and a lack of carry may stimulate active cash sales before South America transitions out its production phase into its demand phase. This may also suggest 2009-10 may find its most attractive futures and basis rewarding before we approach Feb of 2010.



And placing last is the woeful wheat usage for its first quarter measured an anemic 782 million bushels. The level of 1<sup>st</sup> quarter use is 27% less than year earlier levels and 14% less than the most recent three year average. With on and off farm stocks for Sept 1 at 2.215 billion bushels, you have to trek back to the 2000-01 market year to discover larger Q 1 stock levels of 2.353 billion bushels. Wheat simply has too much international competition to rev up its export sector which for 2009-10 is forecasting use of 43% of this year's production.

Allendale will continue to monitor futures and cash spreads as a means to convert hedges to cash sales, store or sell off the combine.

What are your thoughts, are you more likely to store wheat and corn and move beans direct to the market? Will wheat more likely find a price bottom based on demand or supply problems?

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](mailto:research@allendale-inc.com)

[Allendale's Harvest Special deadline Friday October 2<sup>nd</sup>, 2009](#)

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