Market Analysis/Commentary

October 2010

The days leading up to the October Crop Report were full of angst. I viewed the overly optimistic USDA weekly corn crop ratings as nothing shy of bogus and instead chose to focus on the constant and steady stream of harvest results that were indeed suggesting a much grimmer outcome. On October the 8th, USDA "dropped a bomb" delivering a 155.8 bushel corn yield, far lower than the market had anticipated. Corn futures closed limit up that day with corn option values signifying an additional limit move for Monday. USDA's 902 carryout forecast was in clear violation of the markets "understood" bare minimum carryout requirement of 1 billion bushels.

Corn price has now advanced roughly 15% since report day and the world corn consumer is still reeling from this surprisingly severe blow. USDA has been bombarded with angry correspondence from every corner of the globe. Many are calling for an investigation into the disparity between "rosy" weekly crop ratings and the shocking out-come of the October Crop Report. Unfortunately, history sides with an additional cut in corn production on the November 9th report, a cut the U.S. corn balance table can ill afford. A quick glance "under the hood" of USDA's current 155.8 yield reveals some lofty western corn belt yields that I believe are due to be lowered. I anticipate an additional cut of approximately 2.0 bushels or more, a drop which is "unacceptable" and will begin the second move up in corn price, a move that seeks to ration a sizeable amount of corn demand.

As if the aforementioned situation was not critical enough, there is a Part II. I still maintain that China is on the verge of requiring substantial corn imports, an event USDA is NOT anticipating in their carryout assumptions. In an effort to dampen China's internal corn price advance, the Chinese government has been selling corn from its strategic reserves. To date, this move has proven ineffective and prices have continued to escalate. The reality of the situation appears to be that Chinese corn demand has simply "outgrown" the country's ability to supply it. This inability has created a food security issue that I believe requires them to import corn as they have been required to import soybeans. Once China begins, I feel certain the program will be lasting and meaningful. With the worlds corn balance so tight, one can only imagine the markets' response will be substantive.

The U.S./Global soybean situation is fast becoming as serious as the corn situation. In my September update, I commented that the Chinese market could not find the "stop button" when it came to buying U.S. soybeans. Well, for the last 30 days that has remained the case. China's appetite for soybeans is simply never ending. Crush margins in China are grotesquely positive, and the Dalian futures market is allowing the Chinese crusher to hedge his margin into the spring and summer months, thus hedging his world soybean purchases. This ability to lock in very positive margins in the forwards is remarkable and has not been the case in the past. This "hedge" is responsible for some sizeable portion of the forward business

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that is taking place, business that typically would not transact till closer to time. It would appear as though there is little to stand in the way of the Chinese. The Chinese economy is growing slightly more than 10% and in the first half of 2010 the Chinese economy created some 11 million NEW JOBS. They are crushing and consuming a phenomenal amount of protein meal, and at the current pace of soybean imports the numbers would suggest that Chinese import demand for world soybeans will approach 60 million tons, a full 20% greater than the previous year. I anticipate USDA to increase the U.S. soybean yield "some" on the November 9th report. An increase is imperative, for without it I forecast the U.S. soybean carryover at a mere 50 million bushels, and- as I believe the corn market will have to- soybean price will have to ration demand.

Wheat fundamentals have changed little since September; however, the wheat market has come under constant pressure. Canada has finally completed its wheat harvest and it certainly could have been better. Weather in Canada was not at all cooperative, and estimates of milling quality wheat are low. Australia is in the throws of its harvest with the western area of the country never receiving the needed moisture and the eastern production areas battling constant and excessive rains. Russia has planted what winter crop it's going to plant, but conditions are fair at best. U.S. new crop wheat is in poor condition as lack of moisture plaques the vast majority of the acreage. After reading this paragraph one would wonder why wheat has seen all the selling that it has…that will change.

In my 25-year history in this business, I have never seen Southern hemisphere crop production carry such meaning for the world grain markets. Grain and soybean production from the Southern hemisphere is center-stage this winter, and not only can the world ill afford a crop disaster; it can ill afford a slight reduction. The Southern hemisphere must perform to their maximum capability to stave off some global grain catastrophe…yes, catastrophe! Equity investments in anything livestock related carry tremendous risk.

Global Ag and its clients realize that one day the governments of the world will wake up and repeal this insanity of burning food for fuel. In the meantime, though, we will profit from its stupidity!

David Skudder
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October 2010 Performance Summary

Program Description

Global Ag, LLC is a registered Commodity Trading Advisor formed in November 2008 and traded by David Skudder. Global Ag is an Ag sector-specific CTA focusing primarily on Grains and Oilseeds. Risk is taken in both long and/or short positions, intra- and inter- commodity spreads, as well as underlying/related commodity options.

Mr. Skudder's commodity background spans a period of 27 years. He has been professionally involved in the physical side of grain trading as a merchant and a broker and still maintains close ties to the industry.

Mr. Skudder considers himself a "fundamental" trader, analyzing and implementing trades based on his view of inputs such as global weather and crops, related physical markets, country-specific commodity balances, and political and monetary events that might affect those flows.

Global Ag and Mr. Skudder are registered with the Commodity Futures Trading Commission (CFTC) and are members of the National Futures Association (NFA). Mr. Skudder is also a member of the Chicago Board of Trade.

The principals of Global Ag, LLC, David Skudder and Tom Nesvick, have been business associates since 1991. Mr. Skudder directs all trading for Global Ag. Mr. Nesvick is responsible for all administrative functions.

Managed Funds: $127,117,333

Mr. Skudder presently manages ***$127,117,333.*** Of this amount, ***$63,165,025*** is managed in the Global Ag program described on this page. An additional ***$32,340,309*** is charged varying commissions, no management or incentive fees, and is closed to new investment. Mr. Skudder trades ***$31,611,999*** in proprietary funds as part of Global Ag, LLC. These funds are traded pari passu to the Global Ag program with different fee structures and commission rates.

For more information on the Global Ag program, please contact us for our most recent disclosure document.

Returns*

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Year
2010	17.74%	-4.70%	0.34%	-3.57%	3.25%	4.58%	2.98%	13.07%	8.91%	26.39%	-	-	87.90%
2009	2.35%	0.77%	-0.16%	2.36%	12.02%	19.86%	-9.72%	5.23%	-7.21%	-1.93%	-2.29%	6.06%	26.79%
2008	-	-	-	-	-	-	-	-	-	-	-	2.78%	2.78%

Performance**

Total Return	144.33%		
Avg. Monthly Return	4.30%		
Std. Dev.	8.57%		
Sharpe Ratio	2.00		
Barclay Ratio	2.36		
Winning Months	16	**Avg. Gain**	8.03%
Losing Months	7	**Avg. Loss**	-4.23%

Correlations**

S&P 500	-0.22	**Barclay CTA Index**	-0.06
US T-bonds	0.05	**EAFE**	-0.09
World Bonds	0.01		

Account Information

Primary Mkt.	Agriculture	**Notional Trading**	Yes
Min. Investment	$200,000	**Avg. M/E Ratio**	11.44 %
Management Fee	2 %	**Avg. Round Turns/YR/Million**	5,700
Incentive Fee	20 %	**AUM**	$63,165,025
Accepting Funds	Yes	**Start Date**	Dec. 2008

* Management and/or incentive fees along with other account expenses, as described in the Global Ag disclosure document, have been accounted for in the calculations.
** The information contained in these tables has been taken from the Barclays database and are believed to be correct.

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Managed Accounts Returns^

	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	18.74%	-6.48%	-0.96%	-4.07%	1.94%	4.64%	3.21%	17.25%	11.63%	29.62%	-	-	97.06%
2009	2.25%	0.43%	0.53%	2.75%	16.99%	24.72%	-9.83%	5.08%	-7.55%	-2.02%	-3.10%	5.28%	35.51%
2008	15.84%	17.57%	-14.97%	16.45%	9.08%	24.62%	-2.15%	-2.72%	-0.16%	21.01%	9.86%	4.57%	142.17%
2007	12.47%	-0.75%	-0.11%	-0.23%	-2.68%	0.39%	11.93%	-14.47%	1.45%	14.21%	8.54%	8.65%	42.17%
2006	4.43%	3.15%	8.61%	1.36%	4.44%	5.67%	4.47%	-0.29%	-9.74%	-38.14%	21.90%	3.54%	-3.93%
2005	11.57%	-32.18%	-12.80%	14.52%	8.69%	-7.01%	24.18%	-9.73%	-5.69%	-2.68%	2.43%	-1.42%	-20.66%
2004	-	-	-	-	-38.74%	6.88%	20.00%	-0.97%	23.10%	4.58%	7.96%	-3.61%	4.24%

Managed Accounts- Monthly Breakdown^

Winning Months	49	**Avg. Gain**	9.79%
Losing Months	29	**Avg. Loss**	-8.11%

^ The performance shown directly above is the result of the discretionary accounts traded by Mr. Skudder. Please note, these accounts are charged only varied commission rates, not management and incentive fees. The difference in returns between these discretionary accounts and the Global Ag managed accounts will be due to the differing fee structure and commission rates.

Proprietary Returns^^

	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	20.33%	-5.09%	0.80%	-2.82%	3.48%	5.76%	4.26%	16.57%	11.04%	32.83%	-	-	119.47%
2009	1.70%	2.20%	-0.07%	2.49%	7.66%	10.18%	-4.73%	2.13%	-4.28%	-0.66%	-0.86%	7.20%	24.16%
2008	19.26%	14.42%	-5.76%	10.45%	4.22%	10.54%	-0.78%	-0.35%	0.60%	5.13%	3.27%	3.23%	82.40%
2007	12.52%	2.72%	1.65%	1.79%	0.17%	-3.61%	11.23%	-9.60%	2.12%	12.48%	8.68%	3.85%	50.51%
2006	6.47%	3.07%	14.75%	1.85%	6.43%	4.87%	5.02%	2.41%	-5.07%	-31.91%	23.03%	5.71%	29.44%
2005	5.17%	-10.93%	-3.48%	1.30%	1.28%	0.37%	3.28%	-1.41%	-1.79%	1.11%	1.64%	-5.12%	-9.22%
2004	0.31%	-0.62%	16.10%	7.49%	-15.34%	3.54%	5.93%	0.50%	7.27%	2.38%	2.59%	-1.05%	29.41%
2003	-0.68%	6.79%	2.05%	3.34%	-10.56%	2.22%	6.37%	-8.25%	1.87%	-0.85%	-1.19%	3.07%	2.66%
2002	-4.89%	5.25%	0.03%	-4.78%	0.12%	10.16%	17.22%	7.31%	8.61%	8.92%	9.81%	0.36%	72.44%
2001	10.95%	-0.33%	13.33%	0.83%	1.16%	12.93%	8.35%	9.15%	11.57%	1.99%	3.99%	3.94%	110.00%
2000	13.49%	1.00%	2.74%	-10.09%	-3.86%	-0.99%	3.61%	14.68%	-5.01%	-8.13%	7.82%	8.94%	22.79%
1999	-	-	-4.71%	14.82%	10.71%	4.16%	-3.34%	11.51%	11.62%	3.39%	6.71%	6.50%	78.37%

Proprietary-Monthly Breakdown^^

Winning Months	103	**Avg. Gain**	6.64%
Losing Months	37	**Avg. Loss**	-4.95%

^^The Proprietary returns reflect the personal accounts of the principals of Global Ag, LLC and affiliates. Mr. Skudder began trading these funds pari passu to the Global Ag program in December 2009. Please note, accounts in this category are not adjusted pursuant to the management and incentive fee structure of Global Ag, LLC.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. TRADING COMMODITY FUTURES AND OPTIONS IS SPECULATIVE, INVOLVES RISK OF LOSS, AND IS NOT SUITABLE FOR ALL INVESTORS. THIS MATERIAL IS INTENDED FOR QUALIFIED ELIGIBLE PARTICIPANTS, ONLY.

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