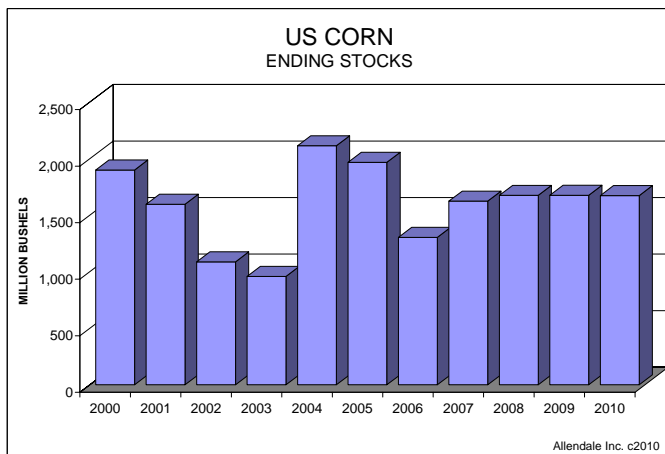


Allendale Wrap-Up for Business Day 01/04/10



Corn: This is the week that the grain markets have been looking forward to. This morning started exactly according to plan with corn running up and taking out the 425 resistance that has held for some time. That is where the disappointment began though. Upon breaking the 425 level the market was so excited to find stops that it only traded a penny and a quarter higher to make a high of 426 1/4. That was the first disappointment to being bullish today. As the day moved on, the buying dried up and what started with good volume buying ended in lighter volume setback. It actually had the typical signs of fund buying. Large buying in the

morning, then when the big buy orders took the sidelines, the remaining sell orders took over. This big fund rebalancing is not supposed to begin until Friday but there is no rule to say the fund buying can't get an early start. We will have to keep a watch to see how much of the buying today will be attributed to the funds. As stated last week, just how often do the funds follow what is expected of them anyway? It would make sense for them to be here buying early so that when Friday comes around they at least have a decent start. Allendale has sold 50% of 2009 production to the cash market for March delivery. Our 2010 production level is a moderate 25% hedged via December 2010 futures. We do not recommend further levels at this time. Producers who are aiming high on big price expectations should be prepared with a backup plan of putting on slightly lower hedges if this market starts to turn lower. Either way these are good levels to work on light sales at. Let's stay excited about the possibilities from the funds this week and be ready to pull the trigger when the time calls for it. If you have a target in mind, then aim for that should a fund buying spree come in but be ready to change the order quickly if less than expected support occurs.

Direction: This morning March corn took out 425 resistance. Unfortunately there were few buy stops above that level. When the day ended, corn looked to be right back in the sideways range again. If we want to get very bullish, we not only need to take out 426 1/4 but also run with it when we do. Until then we will look at corn as back in the sideways range which we are in the upper 1/4 of and can be looked as a short term sale. Stochastics also have this market technically overbought...Ryan Ettner

Trade Idea(s):

- (12/28) Sold Mar 415, risk 427, objective 396. Closed 418 1/2.

Option Strategy(s):

- (01/04) Stand aside.

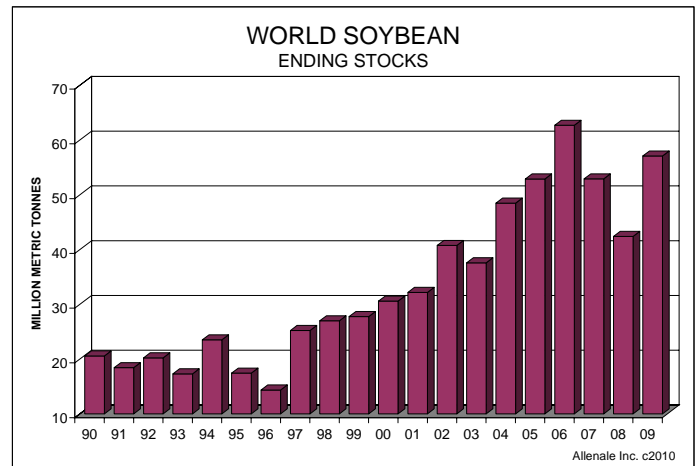
*****Disclaimer***** The commentary and trades below are derived from technical indicators provided in our Allendale Advanced Charts pages and may not correspond with the fundamental commentary above.

Advanced Charts Direction: Corn settled just above the 62% retracement level of the fall sell-off to start the New Year today. The Nov high at 425 was also taken out, but the market couldn't hold there. This makes tomorrow's trade key. Another weaker close could indicate a top might be in place...Monica Moehring

Vital Technical Indicator: the next projected major turn day is January 14.

Soybeans: With a strong start followed by weak follow-through support this market looks concerning once again. This buying in beans has support from strong recent sales and crush but not as much as recent

gains would suggest. Once again that makes this market technically overbought. Fund buying is not supposed to be nearly as much for beans, as expected in corn. It is quite possible that a setback in this market could come swift, especially if China moves their purchases elsewhere which is always possible. Positive continued exports have continued to exceed expectations making the government's objective for sales relatively easy to reach now. Let's remember that when beans broke resistance of 1080 to start December there was not much follow through buying to back it up. Should upcoming fund buying break the 1080 resistance again, it will look much more like a sale than a level to buy looking for a run. We want to take a similar approach to hedging beans with the fund buying but need to be very alert to pull the trigger and change price should the support fade. Allendale has sold all 2009 production via the cash market. 2010 production is hedged a moderate 25% via November 2010 futures. Allendale does not recommend further hedges beyond that level at this time. Producers who would not to do futures may work on an option strategy such as simply buying a put or a three way position. One example of a three way position is to lock in a 1000 floor buy buying the 1000 put, selling the 1200 call, and selling the 800 put. One idea for traders, which is not a hedge, is a bear spread. IF funds sell this market then March will fall faster than November. Applying a bear spread (selling March and buying November) may be a way to take advantage of this.



Direction: Another strong morning that cannot hold those gains by the close makes this market look weak at these levels. Even the last run to 1080 turned out to be weak to start last month which gives little confidence should the market move higher once again. We see significant bounces as selling opportunities. Even the November 2000 call sold for more than 10 cents today...Ryan Ettner

Trade Idea(s):

- (01/04) Stand aside.

Option Strategy(s):

- (10/08) Bought **Mar 920** put, sold 1020 call, sold 800 put for 10...producer idea. There is margin required with this, but you are in a position to make 120/bu if the market breaks while leaving a 100/bu upside open before you are locked into a short.
- (12/28) Sold Feb 1070 call 15, risk to 27 filled on the 01/04 electronic open at 31 5/8 for -\$831.25.

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Advanced Charts Direction: Beans surged higher early in the session today, only to fall back on the close. The overall trend is still bullish here, but we are now in the upper part of the recent trading range. We are long from 1030 and will move our stop up to 1050...Monica Moehring

Vital Technical Indicator: The next projected major turn day for soybeans is January 15, soybean meal is tomorrow, and soybean oil is January 11.

Wheat: This market has had nothing but bad fundamentals news for the past year and a half or so. The first signs of responding production will come from the Winter Wheat Seedings report on January 12. We expect to see a 1.9 million acre drop in winter wheat plantings. Technically, this market has taken out recent resistance which will leave the door open to higher near term trading. This coincides well with the expected fund buying. March Chicago wheat now has potential all the way to 605. With the ease in which the funds move this market it is not beyond expectation to think that we could hit even higher

expectations. Until something changes in world stocks any move to levels near 605 should definitely be seen as selling opportunities.

Direction: Right now, we will have to stand aside as the door has been opened to a 605 move. With funds buying this week it is a potential buying week we don't want to step in front of. Should we see a move close to the next major resistance at the same time expect fund buying to slow we will be more than willing to take the short side again...Ryan Ettner

Trade Idea(s):

- Chicago Wheat: (01/04) Buy March 542, risk 526, objective 577.
- KCBT Wheat: (01/04) Stand aside.
- MN Wheat: (01/04) Stand aside.

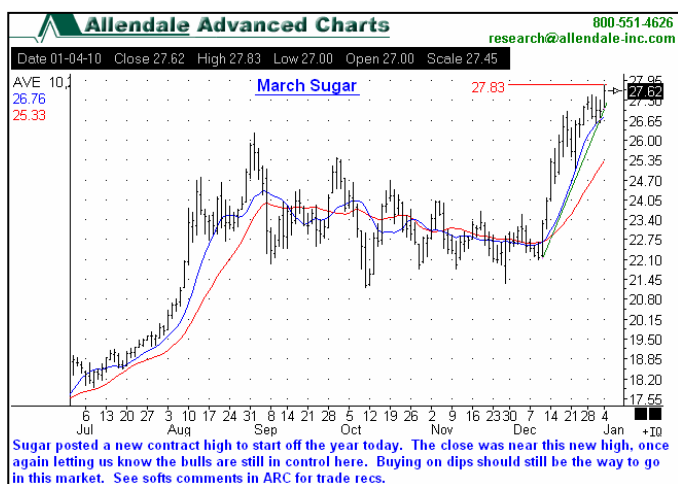
Option Strategy(s):

- (12/10) Sold Mar KW 580 call 16 1/8, risk 25, objective 0. Closed 18 1/2.

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Advanced Charts Direction: Wheat closed well above 38% retracement near 550 today. This now opens the door to the November highs near 600. Can the bulls take this market up there again? We will stand aside another day to see if 550 can hold...Monica Moehring

Vital Technical Indicator: the next schedule projected major turn day in store for wheat is January 6.



Sugar: Sugar closed into new highs today settling near 27.62. We still have a target near 30 cents in the March contract. The spread between the May/March closed today near 168 points. Our target is 75 points on the spread but would recommend adding to it if we see that get that back out to 200 points again. Fundamentals are still bullish and the charts are still strong. Keep looking at dips as buying opportunities

Cocoa: Cocoa fell 23 points as light trade continued. I am surprised cocoa pulled back today with a weaker dollar and a strong stock market but I feel we can see a correction tomorrow if the outside markets hold again. Cocoa has been in a

sideways range but I think we are close do a break out. Fundamentals are quite right now so will be watching the technicals for direction.

Cotton: Cotton rallied just high enough to put in new near term highs and stop us out. I still feel you need to watch the dollar and energies for market direction. This morning every person I had talked to, heard from, listened to, was bullish and looked for a huge day today. We closed higher but not that impressive. If we test the highs again and fail we need to be sellers of cotton. Conditions are overbought and could see a significant pullback if support is taken out. Watch the outside markets for early direction.....Steve Georgy

Trade Recommendation(s):

- Buy **July Sugar** 25 cent calls / Sell **July Sugar** 32 cent calls at 100 points, Risk to 20 cents, Objective 620 points

Working Trade(s):

- (12/29) Bought **May Sugar** / Sold **March Sugar** at 204, Risk 240, Objective 75, Closed at 1.68

- (12/28) Sold **March Cotton** 76.40, Risk 76.75, Objective 74.75, Closed at 75.43 (**Stopped for a \$175 loss**)

Technical Commentary: Orange Juice found early strength due to frost in the Deep South. Technically the OJ market put in a doji which usually means the market is happy and in balance. This usually changes trend to changes the market attitude. We are going to stand aside right now but will be watching support near 132.00 and 128.00. Resistance comes in near 138.35 and 139.05.

Allendale Outlook Conference: January 22-23, 2010 in Crystal Lake, IL
Grain, Livestock, Weather, and Economic Outlooks will be provided to help you plan a successful 2010 marketing year. [Get more info here...](#)

Energies: February Crude settled \$2.15 higher for the session at \$81.51. The Dollar Index was weak today which lent support to equities and commodities in general. We did find some fundamental support to today's buying with positive manufacturing data for the U.S., India and China released this morning. Russia is in the news again, but this time the dispute is with Belarus. It feels like Russia is testing her neighbors' limits on some of their transit agreements regarding movement of Russian Crude to Europe, but we really shouldn't see long term consequences unless it evolves into military conflict. Besides these mildly supportive stories, the main issue at heart should continue to be the value of the U.S. Dollar and the timing of inevitable interest rate hikes...Brian J. Splitt

Trade Recommendation(s):

- (1/4) **Buy February Crude Oil @ \$76.30.** Risk to **\$72.70** with an objective of **\$82.30.**
- (1/4) **Sell February Crude Oil @ \$82.30.** Risk to a close above \$83.30 with an objective of **\$78.30.**

Technical Commentary: February Crude Oil is in a ten month up trend. Close-in support is \$80 with \$78.15, \$77, \$75.65 and \$75 providing further support. Close-in resistance is \$82.30 with \$83.20 as further resistance on the way to new highs. We anticipate that a breakout could test \$88. Stochastics are pointing up and are overbought.

Gold posted a strong rebound today and is currently trading above the 50 day MA. Stochastics have crossed & turned up as well. We have a sell order at 1140.00 near the mid-Dec highs.

Lean Hogs: This morning, the forecast for Wednesday and Thursday was to see 1 to 4 inches of snow across the Midwest. We see some forecasts now suggesting that the system may run up to 6 inches. That helped cash hog prices today and will do the same for tomorrow as well. While no one is expecting any significant problems, that news, combined with cold temps may want this market to add a little more weather premium.

Vs. 2008: At this afternoon's broker meeting, we brought up one interesting thing. While we all know pork production will be smaller in 2010 compared with last year. However, it is hard making price comparisons to 2009 due to the sharp demand problem of H1N1. One interesting comparison can be made by comparing 2010 to 2008. Pork production will be down 3.3% between these two years. While this comparison is a bit simplistic (it does delve into the other factors which make up price such as population changes, export demand, domestic demand) it is interesting to look at the price comparison itself.

LEAN HOG FUTURES PRICE COMPARISON, 2008 VS. 2010

	FEB	APR	MAY	JUN	JUL
2008	58.49	58.83	82.08	73.40	74.52
2010	65.85	70.45	75.42	77.97	76.72

+12.6% +19.8% - 8.1% + 6.2% + 3.0%

Nearby futures are trading at a premium to the period in question. Summer contracts are about right 2008 levels. The supply end of the picture for summer will clearly be better than 2008. After accounting for exports that also means lower per capita pork consumption, a bullish argument. Without getting too deep in our pricing forecasts, which will be completed this week, we still maintain a supportive bias to further deferreds...Rich Nelson

Trade Idea(s):

- (01/04) Buy June 76.90, risk 75.30, objective 79.80.

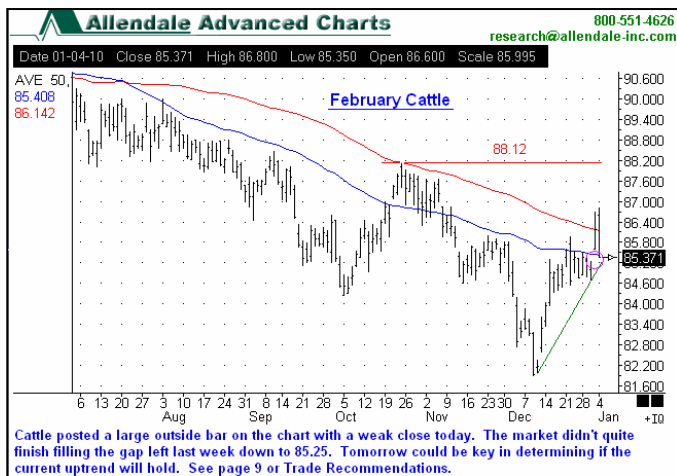
Option Strategy(s):

- (01/04) Stand aside.

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Advanced Charts Direction: Hogs posted an outside bar on the chart but finished in the lower end of today's range. This market is still firmly in an uptrend though. We will leave a buy order near the moving averages at 64.00...Monica Moehring

Vital Technical Indicator: Next projected major turn day for lean hogs is January 15.



Live Cattle: There are rumors that packers bid lightly at \$84 for cash cattle in Texas. Cash traded at \$85 in Texas last week and \$84 in Nebraska. If they are already bidding only \$1 lower on Monday then prospects for \$1 higher by the end of the week are not that bad. While we feel most of the gains in cash prices in the past three weeks are weather related, there is good reason to expect pullbacks in price to be generally limited. The biggest question mark here is identifying when beef demand returns. Friday's employment report may officially put an end to the rising unemployment/bearish beef demand debate...Rich Nelson

Trade Ideas(s):

- (01/04) Buy Feb 84.80, risk 83.50, objective 87.20

Option Strategy(s):

- (11/25) Sold Feb 82 Put/sell Feb 88 call 1.82, risk to 2.15, objective 0. Closed 1.12.

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Advanced Charts Direction: Cattle posted a large outside bar on the chart with a weak close today. The market didn't quite finish filling the gap left last week down to 85.25. Tomorrow could be key in determining if the current uptrend will hold...Monica Moehring

Vital Technical Indicator: Next projected major turn day for live cattle is January 7 and for feeders is January 13.

[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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