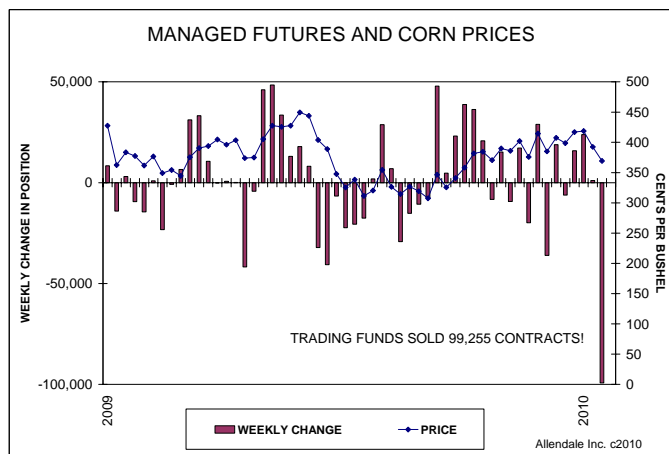


Allendale Wrap-Up for Business Day 01/25/10



Corn: Massive fund liquidation last week and a near 60 cent slide in prices since the USDA report has pushed the market into an oversold condition. The commitment of traders report confirmed that funds have liquidated nearly 60k contracts (trading funds liquidated 100k contracts while the index funds were buying 40k on rebalancing). Most traders saw the flat to weaker dollar today and the higher crude market and decided to get a jump on turn-a-round Tuesday and started buying corn expecting a bounce tomorrow. Funds are however not done liquidating. Trading funds are estimated to be long 121k contracts and they sold another 5k

today. Export inspections, out at 10 am, were 20 million bushels. That was well below last weeks 31 million and the 30 from last year. A few local cash markets are pushing bids to get some good quality grain but for the most part, there is no shortage of inventory and there is plenty of poor quality corn moving. Based on the amount of corn that we expect to move before it warms up, we do not think there will be any pipeline shortage until summer. Thus rallies will not be sustainable.

Direction: Support is at 362. As long as this is holding, traders are willing to buy or take profit on shorts. This is providing enough buying volume that the market is up-ticking. If it got legs under it, we could see a move towards 380-390. But given the extreme fundamental situation and the amount of losses that traders and fund managers are holding, a rally of that magnitude is unlikely. Thus for now, we see a dead cat bounce event that should be sold. If 362 fails to hold, expect a move to 340 pretty fast. Use a box on July corn and work your way into a 3-way in Dec corn to get short now if you are not already short futures...Bill Biedermann

Trade Idea(s):

- (01/20) Sold Mar 365, risk 379, objective 340. Closed 367 3/4.

Option Strategy(s):

- (01/25) Buy 1 July 380 put/sell 420 call at 7 cents, risk to 15, objective 20.

*****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 posted a small inside bar on the chart today that gives us little direction for tomorrow. Support can be found at 3.62 1/4 from last week. We will enter a sell order near the 100 day MA at 3.80 since there is a gap just above it...Monica Moehring

Vital Technical Indicator: the next projected major turn day is February 1.

Soybeans: Three good rounds of selling hit the bean pit today. There were two good rounds right after the opening with a third that came in around 12:30. After each selling round there was a small comeback which we saw going into the close as well. This is not to say this market wants to come back as there is just nothing to get too bullish about right now. Trading funds have been selling aggressively the last couple weeks (45,000 contracts) and they are still long over 40,000 contracts. There is no reason these guys cannot only get flat but also go short in this market. Weather in South America looks a little better with the morning forecast. Originally, the forecast called for only light showers this weekend, bringing relief after a week of dry weather. Now there are calls for heavier showers of up to a half inch. Following those rains, another system is expected to move in next weekend, carrying with it a higher chance for

heavier rainfall. With our large crop from the last report, expected increase in bean acres and the large potential harvest in South America, it is hard to get bullish in this market. We can look for a bounce given that the beans are technically oversold. That bounce is likely to be sold quickly, so we will need to keep our expectations within reason. With many people having the same idea to sell a bounce, it is likely to be small.

Direction: Right now our goals are to be short or otherwise look to get short on a bounce back to 950 in the March. Keep a close lookout as that objective can change quickly on a bounce, especially if we see large volume buying without much market movement early in a trading session...Ryan Etnner



Trade Idea(s):

- (01/25) Sell March 950, risk 961 SCO (stop close only), objective 925.

Option Strategy(s):

- (10/08) Bought Mar 920 put, sold 1020 call, sold 800 put for 10...for producers.
- (01/25) Sell Mar 970 call 12 or better, risk to 19, objective 0.

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Advanced Charts Direction: Beans struggled to remain above new resistance at 955 3/4 today, so they headed south instead. There is not much to support this market now until the low from last October at 888 1/4. We will bring our sell order down to 950...Monica Moehring

Vital Technical Indicator: The next projected major turn day for soybeans is February 3, soybean meal is February 5, and soybean oil is January 29.

Wheat: Fundamentals remain bearish for old crop wheat, both domestically and globally. The US export picture is dismal. The percentage of our production that is exported is down to a level of 37.2% vs the typical 48.5%. The Black Sea region continues to dominate the market share of world wheat exports due the plethora of cheap freight rates. The US simply can not compete in the export arena. When Allendale Inc turns to domestic use, it is not good, demand remains soft for various reasons. Central Midwest old crop basis is -\$1.22 under March while new crop is -\$0.55 under July futures. The winter wheat producer has spoken in the form of reduced acres agronomically and economically for new crop. Support from lower supplies will not be felt throughout the winter. Technically, continue to sell corrections for futures. We will closely monitor spread trades for support and resistance between wheat and corn.

Direction: A sideways to bearish stance on old crop CBOT and KCBT continues to dominate futures...Joe Victor

Trade Idea(s):

- Chicago Wheat: (01/15) Sold March 514, risk 529, objective 484. Closed 498 1/4.
- (01/25) Buy Mar Chicago Wheat/sell Mar Corn 120, risk to 109, objective 145.
- KCBT Wheat: (01/25) Stand aside.
- MN Wheat: (01/25) Stand aside.

Option Strategy(s):

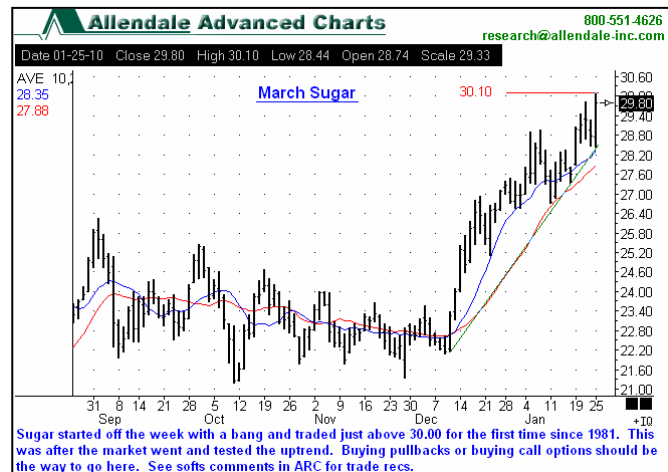
- (12/10) Sold Mar KW 580 call 16 1/8, risk to 18, objective 0. Closed 1 3/8.

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Advanced Charts Direction: KC wheat is finding solid resistance at 510 right now, but remains in a large wedge formation for the big picture. Buying near the bottom of the wedge is suggested near the 500 level...Monica Moehring

Vital Technical Indicator: the next schedule projected major turn day in store for wheat is January 28.

Softs: Sugar: Sugar rallied to the highest level we had seen since January 1981. We are in the perfect storm right now. With the International Sugar Organization forecasting a global deficit of 7.2 million tons of sugar for the 2009-2010 seasons which keeps the bullish backdrop for more fund buying. We covered more of the fundamentals in our weekly meeting and talked about different price points we could get to. You can hear our meeting by going to this link <https://www2.gotomeeting.com/register/797209699>. We are going to look at dips as buying opportunities for the next few weeks until Brazil gets most of their harvesting wrapped up.



Cotton: Cotton fell today with more technical selling as we pushed through some of the major moving averages. Cotton is heavily oversold and could see some short covering in the next few days. We have just dropped 210 points in the last two weeks that might have people thinking that we pulled back a little too quickly. We are going to look at a short term buy against support near last October's low (68.80). The dollar looks like we can see a little break and support cotton sort term.

Orange Juice: Orange Juice rallied 3.85 today and continues to make the trek to the contract highs. We are still bullish OJ and missed our buying opportunity for now. We are going to stand on the sidelines for now but will look to reenter on pull backs. The fundamentals are bullish and should remain that way as more Orange growers continue to evaluate the damage from the hard freeze a few weeks ago...Steve Georgy

Trade Recommendation(s):

- Buy **March Cotton** 68.90, Risk 68.40, Objective 70.40
- Sell **March Lumber** 257.00, Risk 265.00, Objective 239.00
- 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):

- (1/19) Sold **March Cocoa** 3430, Risk 3530, Objective 3250, Closed 3406

Energies: March Crude was \$0.72 higher today at \$75.26. Higher equity trade and a lower U.S. Dollar lent support to Crude Oil today after dropping \$8.76 in the previous two weeks. There were some concerns that Ben Bernanke would not be reappointed to the head of the Federal Reserve, but recent political talk has eased those concerns and it appears that he'll have the necessary votes at this point. If he does get the vote, we could see another round of pressure on the U.S. Dollar and a quick round of equity and commodity buying. This type of trade would seem to sync well with the oversold condition of both the equity and energy markets...Brian J. Splitt

Working Trade(s):

- (1/21) **Bought March Crude Oil** (1/22) @ **\$74.75**. Risk to a **close below \$72.45** with an objective of **\$79.75**. March Crude closed at \$75.26.

Trade Recommendation(s):

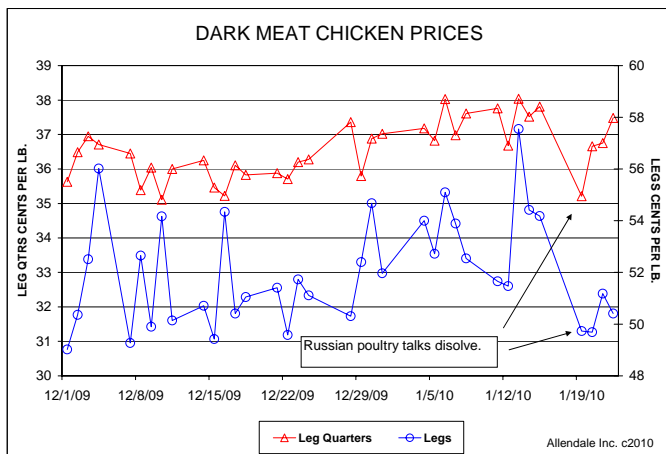
- (1/22) **Sell March Crude Oil** @ **\$79.75**. Risk to a **close above \$83.75** with an objective of **\$72.75**.

Technical Commentary: March Crude Oil violated its up trend from the market bottom in March, but it's still maintaining its up trend from the July lows. The up trend from the July lows seems to converge with the December low so we feel the \$72.50 area should provide major support for this contract. Today's trade tested and held last week's low which is the first step in correcting Crude's oversold condition. Close-in support is \$74.50 and \$74. \$73.52 and \$72.45 provide support just below with major psychological support at \$70. Close-in resistance is \$75.90 with further resistance at \$77.10, \$78.50 and psychological resistance at \$80. Stochastics have leveled off and are oversold.

Copper still has a long-term uptrend in place currently, but it also has a short-term downtrend since the highs last December near 355.00. We will stand aside, but may look to buy on a retest of the uptrend.

Lean Hogs: Futures felt more carryover weakness from last week today. The trade remains sharply concerned about this excess poultry situation. In the poultry world we generally keep the valued white meat here at home and try to sell as much of the dark meat as possible. This model fits in well as the remainder of the world enjoys dark meat equally as much as white. In later 2005 into early 2006 avian flu concerns in key countries reduced their poultry consumption and our exports. During that time, we did see hog prices break a little further than expected. With that in mind we are showing what dark meat prices have done recently. Leg quarters are a composite of a drumstick, thigh, and a portion of the back. They

are the most common of our exports. The chart below shows leg quarter and leg prices in the US fell to month lows right after the US/Russia talks dissolved. We will fully point out that prices did come back for leg quarters in the last few days. We would not look for that rebound to last however. In the past three days the Iowa/Minnesota run has fallen \$5.14. Part of that is due to perceived pressure from chicken. Part of that is due to the announced closing of the Smithfield plant in Sioux City. Cash pork prices have fallen for three days now (-\$1.28, -\$0.17, and now -\$2.00). The short term fundamentals of this market have turned negative and so have we...Rich Nelson



Trade Idea(s):

- (01/25) Sell April 71.57, risk 72.70. objective 68.80.

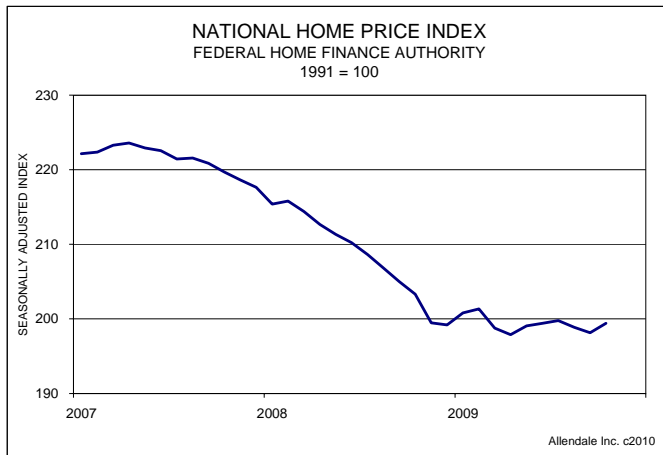
Option Strategy(s):

- (01/05) Sold Apr 64 put 1.40, risk to 1.40, objective 0. Closed .97.
- (01/14) Sold Apr 68 put 1.80, risk to 2.40, objective 0. Closed 2.00.

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Advanced Charts Direction: Chart Commentary will be updated this weekend.

Vital Technical Indicator: Next projected major turn day for lean hogs is February 3.



Live Cattle: Attendees of the annual Outlook Conference this week may remember the first few slides of the livestock section dealt with the consumer mindset and how it has affected beef demand. The first chart was one of home prices from 2007 to current. Along the same lines we will call attention to this morning's Existing Home Sales report from the government. On the Kick Start page we noted expectations of a moderate fall from November to December of 7%. The government indicated home sales fell 17%. This is a reminder that consumers are operating in a constrained spending mindset. That news also

trumps the good supply information found in the monthly Cattle on Feed report Friday. Cash cattle prices have risen admirably since December but have languished at this \$85 level for three weeks. Though Texas did move numbers at \$86 last week the bulk of action in the plains last week was \$85. Current prices are also right on our first quarter \$85 expectation. We do expect a little better improvement in both supply and demand in the second quarter with a \$91 average cash cattle expectation. We do think April futures will eventually reach \$92 but not until the cash cattle peak around later March or so. For now, we are treating this market as though it is in a sideways pause...Rich Nelson

Trade Ideas(s):

- (01/20) Bought April 90.60, risk 89.40, objective 92.00. Closed 90.17.

Option Strategy(s):

- (11/25) Sold Feb 82 Put/sell Feb 88 call 1.82, risk to 1.70, objective 0. Closed .50.

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Advanced Charts Direction: Chart Commentary will be updated this weekend.

Vital Technical Indicator: Next projected major turn day for live cattle is January 28 and for feeders is February 12.

[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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