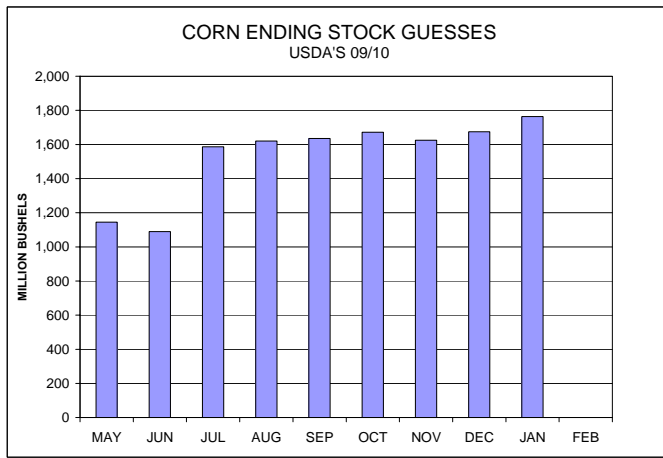


Allendale Wrap-Up for Business Day 02/08/10

Corn: Abundant buying surfaced today when a weaker dollar provided macro support and a rumor that Tuesday's USDA Supply Demand report would be bullish provided micro support. Support also came from last weeks EPA decision that opens the door to more corn ethanol usage (we have thoroughly discussed last week).



USDA Report: Tuesday's supply/demand report will be released at 730 am (see our grain fundamentals page 1 for estimates). The full report can easily be "clicked on" tomorrow by going to our web site and to the menu selection for "Government Reports." The average guess is for a 16 million bushel decline in ending stocks to 1.748 billion bushel. We look for a 1.789 billion bushel number with a small revision in exports. Keep in mind, the adjustment coming from USDA's resurvey of [un-harvested](#) acreage will not be shown until the March 10 supply/demand.

Direction: Until the report is out, we are not going to change our thinking. We still expect March corn to hit 340 and December to hit 370. However, if today's bounce was to last more than 3 days, we would then turn friendly. Right now we view this as a corrective bounce...Bill Biedermann

Trade Recommendation(s):

- (02/02) Buy July 380 corn put/sell 420 corn call at 7 cents, risk to -4, objective 20.

Working Trade(s):

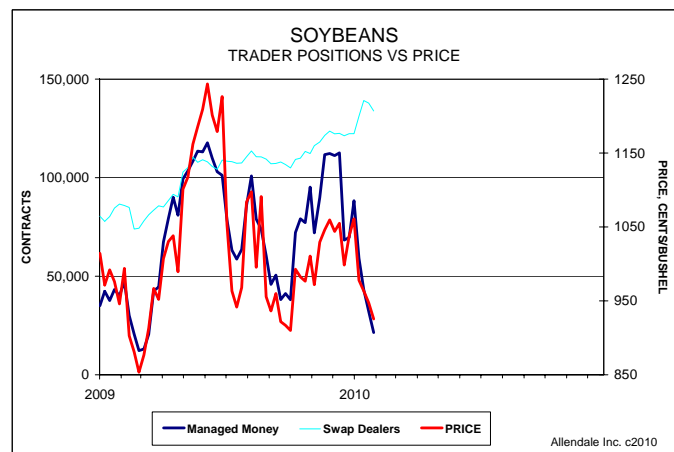
- (01/20) Sold March corn 365, risk 372 1/4 or SCO (stop close only) 360, objective 340. Closed 356.

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Advanced Charts Direction: Corn posted a corrective bounce today, but settled well off the highs of the session. This does not convince us a bottom is in place yet. We would prefer to see a close above resistance at 372 1/2 before declaring a bottom...Monica Moehring

Vital Technical Indicator: the next projected major turn day is February 16.

Soybeans: Good support came in today on the anticipation of tomorrow's carryout report. The Trade estimates a carryout of 219 million bushels. That is a decent size reduction from the 245 estimated in January. Beans saw an early morning "knee jerk" reaction to talk around the grain floor that the carryout number could actually come in down near 190 mil bu. Tomorrow's report will be a key for helping to determine short term price direction. If the trade is accurate with its prediction (219) there looks to be a chance for a short term bounce followed by a continued slide lower. A slight reduction of carryout may catch some attention for the short term bounce but the South American crop will likely pull on bean prices once



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again. If the floor is accurate (190) more support can be found that may actually help to stabilize the bean market despite the large potential upcoming harvest. We have chosen to take the sidelines until after seeing the report. It should not take long after the opening to see how the market will want to trade the carryout. If it is neutral to bearish, we will look to get short once again. If the number is bullish, we will then look to take either side of the market once again based on market reaction. This is the first time we have considered placing buy orders as more than just one day trades to catch a bounce. We have chosen to not fight the long standing trend lower which has benefited us well. With the large potential crop in South America yet to be harvested, we are hard pressed to be bullish unless tomorrow's carryout number puts us in a position that we just can't ignore. On a final note, it should be noted that there is a slight chance the report will be delayed due to the government being closed today dealing with the snow.

Direction: Our downside target has been met, so now we will watch for bottoming type of trade before turning bullish. Technically, the chart target of 890 has not been met in the March...Ryan Ettner

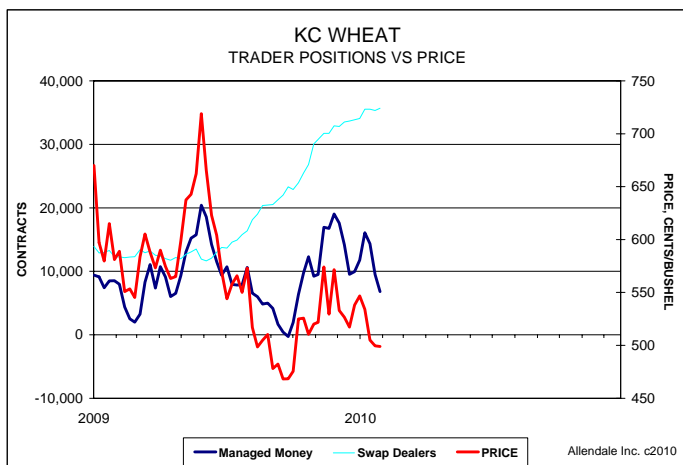
Working Trade(s):

- (01/26) Sold March 970 soybean call 12, risk to 19, objective 0. Closed 3 3/8.
- (02/02) Sold May 1000 call 19, risk to 33, objective 0. Closed 19 3/4.
- (02/04) Sold March 913 risk 927 filled 02/08 **-\$700**.

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Advanced Charts Direction: Beans also posted a nice corrective bounce today, but the close was in the middle of the range which suggests we don't have a bottom here either. We will stand aside tomorrow, but may look to sell against resistance at 955 3/4 soon...Monica Moehring

Vital Technical Indicator: The next projected major turn day for soybeans is February 24, soybean meal is February 23, and soybean oil is February 18.



Wheat: As noted on Friday, it really does not matter what USDA tells us tomorrow for wheat ending stocks. The average guess is for a small revision from 976 million bushels at the end of the 09/10 marketing year (May 30, 2010) to 973 million bushels. From a research standpoint, anything above 700 million bushels is still drastically too much and should make no difference in price. However, from a trade psychology standpoint, one key here is "at least stocks are not increasing anymore". Another issue with that is the fact that US farmers are doing something about these big stocks. Their plans to

lower winter wheat plantings were exaggerated by harvest delays for a full 6 million acre reduction. Though our downside price projections have been met, we are not turning bullish yet. We must confirm a bottom is in place first. So far, there have not been any closes that have broken the downtrend. There are early signs, like last week's stable close, but we cannot say it is time to change our tune.

Direction: Though we remain bearish wheat, we will begin to pick our selling spots more closely...Rich Nelson

Working Trade(s):

- (12/10) Sold Mar KC wheat 580 call 16 1/8, risk to 18, objective 0. Closed 1/8.
- (01/29) Bought March Chicago wheat /sell March corn 120, risk 109, objective 139. Closed 128.00.

- (02/08) Sell Chicago 498, risk 508, objective 473.

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Advanced Charts Direction: Wheat managed to find a bit of strength today and close above its 10 day MA. This does not mean a bottom is in place, but it was a small victory for the bulls. We will leave a buy order near the lows from last fall for now...Monica Moehring

Vital Technical Indicator: the next schedule projected major turn day in store for wheat is February 16.

Softs: Sugar: Sugar rebounded nicely today with a weak dollar giving confidence to the bulls. The fundamentals are still bullish so we are continuing to look at this market from the long side. We recommend using options instead of getting long futures due to the high volatility of this market. By doing this you will have more staying power if the trade goes against you. Watch the dollar and the stock market for direction this week.

Cotton: Cotton closed strong today with a 254 point rally. Most of the buying came from short covering, while the funds and most speculators stood on the sidelines. We feel you still need to be short this market as the dollar continues to advance and the energies continue to pull back. We are looking at the 20 and 100 day moving averages as good resistance for the next few days. Volume was very light today and we feel selling could pressure the markets for the rest of the week.

Orange Juice: Orange Juice held the up trend again today but need to see strength over the next few days. We are right on support and look for buying opportunities this week. We are still trying to use options to get long instead of futures just incase we break support for a day or two. Keep an eye on the dollar and the stock market for direction in the next few days. Funds will most likely follow the general direction as emotions should stay relatively high...Steve Georgy



Trade Recommendation(s):

- (02/08) Sell **May cotton** 71.50, objective 68.50, risk 72.50
- (1/29) Buy **May OJ** 140 calls/sell **May OJ** 155 calls at \$4.50, Risk 0, Objective \$10

Working Trade(s):

- (01/27) Bought **May sugar** 30 cent calls/sold **May sugar** 34 cent calls at 86 points, risk to 0, objective 386 points. Closed 51 points

Energies: March Crude was up \$0.70 at the close today; settlement was \$71.89. Unseasonably cold weather in the forecast for the upcoming week has potentially added to energy demand for heating purposes. We also had a few geopolitical issues providing support after last week's assault on energy prices. Iran seems committed to expanding its nuclear energy program despite mounting international pressure and Nigerian militants claimed that they attacked a Royal Dutch Shell pipeline. Iran may provide a few rallies here and there, but we don't feel that we'll see a sustained rally unless the issue is escalated militarily. As far as Nigeria goes, we have seen these attacks numerous times over the past couple of years and they can almost be considered part of doing business there. What may heavily influence tomorrow's trade is today's settlement below the key 10,000 support level in the Cash Dow. This poor close may

bring further equity liquidation which may in turn put pressure on commodities for the short term...Brian J. Splitt

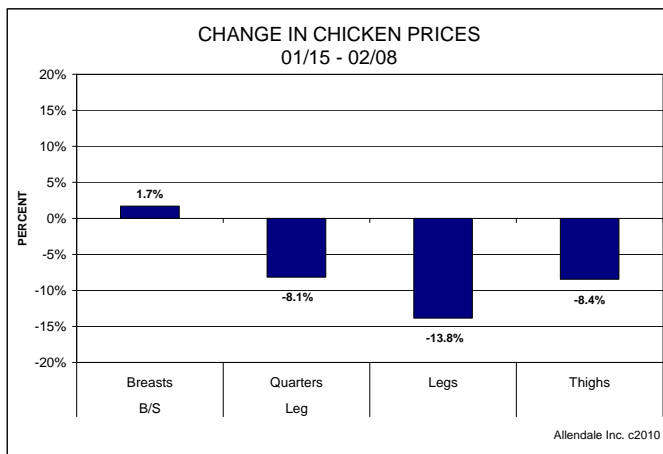
Trade Recommendation(s):

- (2/8) Sell **May Crude Oil** \$69.75 stop, risk \$71 Stop Close Only (SCO), objective \$65.05.
- (2/8) Sell **May Crude Oil** \$73.25, risk \$75.05 Stop Close Only (SCO), objective \$65.05.

Technical Commentary: March Crude Oil saw major liquidation last week and closed below the December low which was a bearish settlement. Today's high was a test and fail of this December low which shows us that this is a key area of resistance. Close-in support is today's low of \$71.10; \$70 and last week's low of \$69.50 will provide further support. We feel that the majority of long positions still in the market will exit below \$69.50. A move below this level could bring us down to \$67.50 in a hurry. \$64.25 and \$60 would be further objectives for energy bears. Close-in resistance is \$72.40 with \$73.52, \$74, \$75.10, \$76.30, \$77.15, \$78.50 and psychological resistance at \$80 providing further areas of resistance. Stochastics are pointing down.

Silver posted an inside bar on its chart today after suffering sharp losses the previous two sessions. Has this market found a short-term bottom? We don't think so unless we see a close above 16.015, which is near the 10 day MA.

Lean Hogs: Packers told USDA they intended to kill 422,000 head today. We would imagine that may be revised just a little lower tomorrow. The real impact of these 6 to 10 inch snows will be felt tomorrow. We do not expect it to be like the 360,000 head run seen back on Monday January 25. At this point, without doing any informal surveys, we would guess something in the 400,000 to 415,000 range. With today's storm being the "top news of the day" the trade is jumping on this issue.



Chicken Prices Pressured: A picture is worth more than raw numbers. With that in mind here is an update on chicken prices since the Russian poultry talks unfolded. In the chicken world there are two classes of product, white meat (the premium product) and dark meat. US chicken companies try to export as much of the lower end dark meat as possible in order to take pressure of white meat prices. The premium product shown on this chart is boneless/skinless chicken breasts. A collection of dark meats, what we typically export, is shown to the right. Leg quarters are a composite cut of a leg, thigh, and portion of the back. Now

matter how you look at it, chicken prices have reacted to the problems with Russia and now China.

Direction: Pork and hog prices took a dive after the collapse of poultry talks with Russia. The "new" news is snow in Iowa and therefore prices are responding. With the kind of drag that chicken, shown above, has on pork we cannot believe hog prices can rally much more from here. We are now long as that breakout mentioned last week has been seen. We will not get married to the long side though...Rich Nelson

Trade Recommendation(s):

- (02/08) Bought 67.35, risk 66.25, objective 70.60. Closed 68.77.

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Advanced Charts Direction: Hogs also staged an impressive rebound today that reached 38% retracement. The close was strong, so we may see a test of 50% next. This is a key area since the moving averages & overhead gap are nearby...Monica Moehring

Vital Technical Indicator: Next projected major turn day for lean hogs is February 18.

Live Cattle: There are some good things going for cattle right now. We have seen problems due to previous storms this winter already showing up. We noted on Friday that steer carcass weights are already a full 16 lbs under last year in the same week. That is taking 2% off slaughter numbers in the final beef production calculation! Friday's drop in unemployment provided another piece of good news. The last good thing here is there are two more storms set for the plains right in front of us this week. With those things in mind, cash cattle traded at \$87 in Texas and \$86 and \$87 in Kansas. You may remember during January, prices were pretty much all at \$85. As it stands, our initial hedge prices are \$92 in the April and \$88 for June and August. On the bear side, we cannot disregard the east coast problems. A significant storm hit the central areas this past weekend and another one is lined up for the northern half of the coast later this week. While we can all point to reports that beef demand "should" be recovering based on unemployment, the fact is that "right now" demand will be a problem if consumers cannot eat at restaurants...Rich Nelson

Working Trade(s):

- (01/29) Sold April 86 put/sell April 92 call 2.30, risk to 3.90, objective 0. Closed 1.95.

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Advanced Charts Direction: After gapping higher on Friday, cattle were unable to take out that high today, but there is solid resistance just overhead at 91.35. We are not counting the bulls out yet, but will move the stop up on our long position...Monica Moehring

Vital Technical Indicator: Next projected major turn day for live cattle is February 19 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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