

Allendale Wrap-Up for Business Day 02/23/09



Corn: Outside markets are still a negative for corn. Another steep loss in the Dow pressured crude. For corn fundamentals, we also had a slightly negative weekly export inspection report. 26.4 million bushels of corn were inspected last week which was below estimates of 30 to 35 million as well as last week's 34.5 million figure.

Direction: Prices have met our downside target for the late winter timeframe and are currently below it. That does not mean this is time to buy though, not at all. The stock market's >200 point decline today has put it solidly below the November lows. In updating our Commitment of Traders database we see that through last Tuesday the regular

commodity trading funds had sold an additional 25,000 contracts. Also, index funds sold off 3,000 contracts of their longs from the week before. While Friday's the market rejected (bought) the sharply lower trade today corn rejected (sold) the attempt at higher trade. Today, March corn reached up to 9 1/2 cents higher but only mustered a 1 1/2 cent higher close. The downtrend is still intact. For producers, we sold all old crop corn in January and have orders placed for new crop sales. If you still have old crop on-farm, we would still advise cash corn sales. Basis has tightened, due to the lower futures prices, and if you are still bullish you can re-own via long futures or some type of option position. For speculative trading, stay with the trend.

What Are Your Acreage Plans?: The easy argument is farmers will shift more into soybeans this year. Whether it is 2 or 3 million or 6 million will make the difference. On Monday we will start the annual Allendale Planting Survey. This survey is not influenced by seed companies, equipment dealers, concrete dwellers who work on the floor, Kentucky windage, or any other tricks. This is a pure farmer driven survey. The more YOU PARTICIPATE, the more YOU BENEFIT. Either call in at 800 551 4626 or fill out the form on our website at www.allendale-inc.com...Rich Nelson

Trade Idea(s):

- (02/23) Sell 1 Jul 379 1/4, risk 391, objective 360.

Option Strategy(s):

- (01/23) Bought 1 Dec09 410 put @ 51 to lock in a floor. This as a starting point for a position to be built as the market moves.
- (01/13) Bought Jly 390 put/sold Jly 460 call at 12, risk at 8, obi 50. Closed 35 3/4.

Corn Technical Commentary:

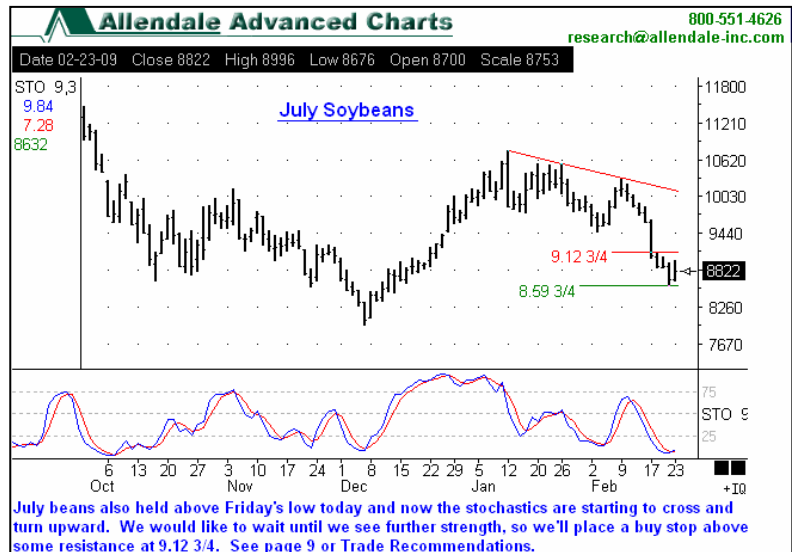
Looking at the July contract now, Friday's low at 360 is going to be key for the market to hold this week. The stochastics are turning up, indicating today's strength could continue. We will place a sell order near the downtrend.

[For more technical information, including charts and trade recommendations, please visit the Advance Charts section of the Allendale Research Center.](#)

Vital Technical Indicator: the next projected major turn day is March 4.

Soybeans: For South America the current question is whether their short term strike is simply for attention or whether they will dig in their heels, like last year, for an extended period. The strike is set to end tomorrow and farmers will be meeting with a government official. For weather, Argentina is currently a neutral issue. They received rains in the past three days but now have dry conditions forecast through this weekend. On the bear side soybeans, like corn, are still looking at a bearish economy. That pressures energy prices and therefore soybean oil prices. The 10:00 am weekly export inspections release was bearish.

Direction: This market has met our downside objective forecast for the late winter decline and is currently under it. Just like corn, that does not mean it is time to buy. Short term factors remain bearish. Friday's Commitment of Traders report showed trading funds sold 19,000 contracts through last Tuesday. On Friday soybeans just hit new lows for this downtrend. At one point today the July was up 30 1/2. By the close today it was only able to hold onto 13 of that. Our acreage survey will be very important in deciding long term direction. If soybean acreage increases moderately, we have a 750 downside target for the November contract at harvest. If there is a dramatic increase then we will revise that to < 700...Rich Nelson



Trade Idea(s):

- (02/23) Sell 1 Jul 899, risk 920. Obj 850.

Option Strategy(s):

- (01/28) Bought 1 Nov 840 put, sell 1 Nov 720 put at 43, risk 20, obj 70. Closed 55 1/2.
- (02/11) Sold 1 900 May put/sold 1 1140 May call 53, risk to 83, obj 0. Closed 71 1/2.

Soybean Technical Commentary:

July beans also held above Friday's low today and now the stochastics are starting to cross and turn upward. We would like to wait until we see further strength, so we'll place a buy stop above some resistance at 912 3/4.

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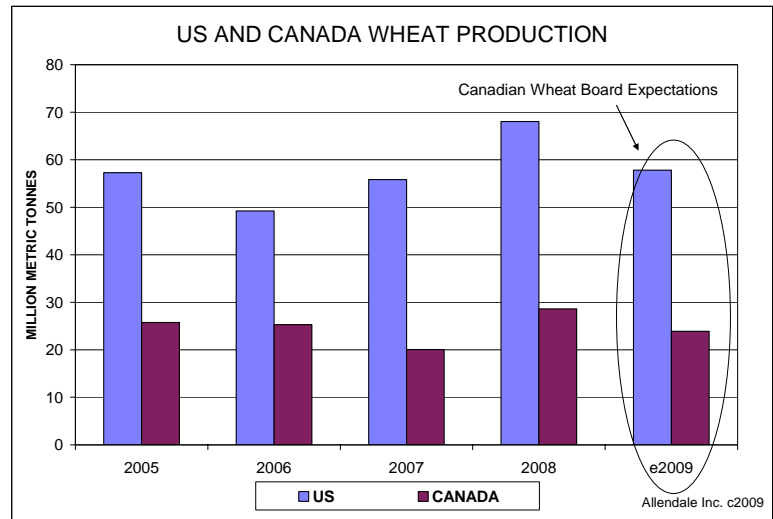
Vital Technical Indicator: the next projected major turn day for soybeans are February 26, soybean meal on March 6, and soybean oil is March 2.

Wheat: This market is still taking its cues from soybeans. We were also reminded today that US wheat is in the back seat regarding world wheat exports. Egypt bought 240,000 tonnes of wheat, all from Russia. We reported last week that Russia would supply some of the shortfall in Argentine production that Brazil

depends on. That now makes it Russia and Canada supplying Brazil with little chance for US product. We are not all gloom and doom here though. Today, the Canadian Wheat Board released some larger than expected declines for both Canadian and US 2009 production. They estimate Canadian production would fall by 16% this year and for the US to fall 15%.

Direction: July wheat has met our downside target for the late winter decline and is currently just under it. We have no sign of a bottom though. On Friday, this market made new lows for the downtrend.

Today, the market rejected higher prices and closed lower. Friday's Commitment of Traders report, as of last Tuesday, showed another 4,000 contract sell-off for trading funds. For the long term, it is easy to say declining acreage around the world holds good news. However, we cannot get bullish here for months. We still have big old crop supplies suffocating prices. ...Rich Nelson



Trade Idea(s):

- CBOT Wheat:(02/23) Sell Jul 603, risk 613. obj 580.
- KCBT Wheat: (02/23) Sell Jul 576, risk 586, obj 560.
- Minn Wheat: (02/23) Sell Jul 603, risk 614, obj 585.

Option Strategy(s):

- (02/04) Sold 1 May KC 500 put/sold 1 May KC 640 call 37, risk to 50, obj 0. Closed 28 1/8.

Wheat Technical Commentary:

Wheat closed near the lows of the session today, indicating the bears are still in control here. We will place a sell stop below Friday's low in case it gets broken. The stochastics are starting to turn down again. [For more technical information, including charts and trade recommendations, please visit the Advance Charts section of the Allendale Research Center.](#)

Vital Technical Indicator: the next schedule projected major turn day in store for wheat is February 26.

Softs: Cocoa futures slumped again today to 11 week lows. This weakness was due to heavy chart-based weakness in a market that is already depressed by crop conditions improving in the Ivory Coast. Traders are concerned with decreasing demand for cocoa and mixing in better conditions for the top producing areas is the cause for the pressure over the last two weeks. Coffee futures got a boost today from the early strength and market attitude. Feelings had changed at mid day but due to the light volume today coffee held its gains while sugar reversed lower along with the crude oil market. Most of the soft markets are still reacting to a weaker economy and a poor market attitude. We feel when these feelings change we are setting ourselves up for a big jump...Steve Georgy

Trade Recommendation(s):

- Buy Dec Coffee at 116.70 stop, Risk 113.00 stop, Objective 123.00
- (Cotton) Buy Dec Cotton / Sell May Cotton at 4.80 cents , Risk 4.30, Objective 6.60

Working Trade(s): None

Technical Commentary: The technical outlook is still very weak for cocoa, cotton and sugar but things can be changing for the coffee and orange juice. Support for May Coffee is 110.55 and 108.35 with resistance at 115.90 and 116.34 (50 day moving average).

Energies: April Crude Oil settled \$1.59 lower at \$38.44. Reports that OPEC is near full compliance on its agreed production cut was enough to provide an early bounce, but that was trumped by weakness in equities. The Dow Jones Industrial Average closed 83 points below the 2002 low which was the bottom of the last bear market. The continued pressure in the equity markets is keeping a lid on the upside potential of the energy markets as it speaks directly to the demand outlook. The long term up trend on the continuous crude oil chart will bring support at \$33 for the April contract, just something to watch...Brian J. Splitt

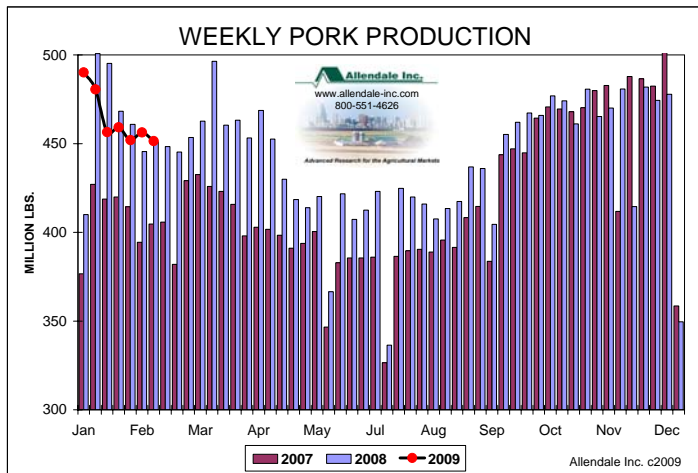
Trade Recommendation(s):

- **Buy 1 June Crude Oil and Sell 1 April Crude Oil** at \$4.05 premium June. Risk to \$1.95 premium June with an objective of \$7.95 premium June.

Working Trade:

- **Bought 1 March RBOB and Sold 1 April RBOB** at 10.30 cents premium April. Risk to 12.80 cents premium April with an objective of 5.30 cents premium April. The spread settled at 11.40 cents premium April. ***Know before entering trade that you will need to exit trade by Friday February 27th.***
- **Bought 1 April Crude Oil today (2/23) at \$39.73** (done at the open on Sunday night). Risk to \$36.73 with an objective of \$46.73.

Technical Commentary: Close-in support is \$38 with the current contract low of \$37.12 as further support. The continuous chart will provide more support at \$35.55, \$33.55, and \$32.48. Close-in resistance is \$39.82 and \$40 with \$41.35, \$43.75-\$43.83, \$45.35, \$47.98, and \$49.15 as the resistance levels all the way to \$50. Stochastics are oversold and are pointing down.



Hogs: It is easy to say last week's big break was made on demand, namely US consumers cutting back on meat purchases. You can also make an argument that pork production levels have been higher than expected recently. This has happened right after the Meadowbrook Farms plant closing. Weekly pork production fell below last year from November straight into the first week of February. During that time it was around 2% to 3% under last year. Those declines were made strictly on lower Canadian imports. We will not see lower US born numbers until March or April. In the past two weeks pork

production was 2.4% and .1% higher respectively. An unexpected bounce in production, at the same time as we just lost one slaughter plant, could explain some of the pressure. We are still suggesting this will be

a bull market once April rolls around but from now until then all bets are off. Wholesale pork was down 81 cents this afternoon. That should add pressure tomorrow. For trading we will let this market play its hand another day or two before jumping back in...Rich Nelson

Trade Idea(s):

- (02/23) Stand aside.
- (01/28) Bought Jun/sell Apr at 12.25, risking 1.50 from entry, obj 15.00. Closed 12.72.

Option Strategy(s):

- (02/23) Stand aside.

Lean Hog Technical Commentary:

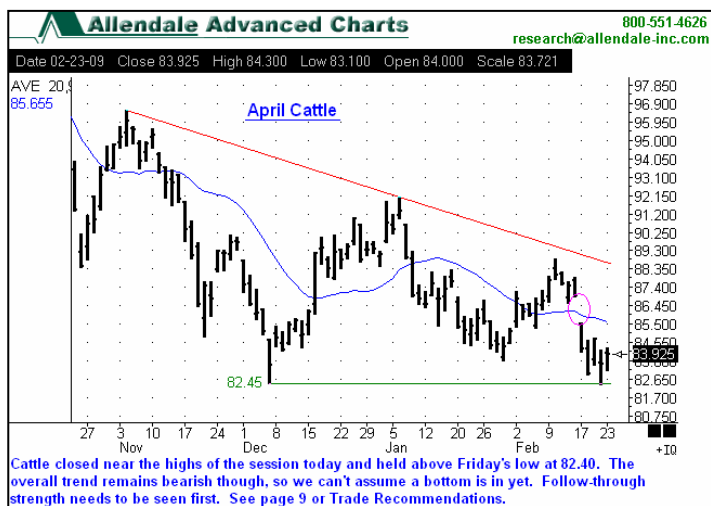
Hogs traded in a very narrow range today, just above last Friday's low. This market is still very oversold, but can't seem to find many buyers right now. We will leave a sell order up at 59.75 against resistance.

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

USDA Cold Storage Report, to be released on 02/20/2009 @ 2:00 PM

	Last Year	Last Month	ALLENDALE	Actual
Pork Belly Stocks Jan 31	70.647	51.700	69.903	67.703



Cattle: It is interesting to see cattle do pretty well today. The stock market pushed to new lows for its downtrend today. Live cattle futures closed higher and the afternoon boxed beef report showed gains for both choice and select. Last week's beef production totaled 483 million lbs. In six or seven weeks we will see it dip down to 470 or so. That will be happening at the same time barbeque demand is starting to be procured. In today's beef market is almost blasphemy to talk about better demand, especially when the stock market is still tanking. Is it possible? We will note on Friday the market posted a good comeback from early morning

lows. Those lows were not tested today. We also have a gap at 85.55 on the April left from last week's price decline. For now, we are neutral to this market. If this market can stabilize for another couple of days we may take a flyer on a short term buy position for speculative trading...Rich Nelson

Trade Idea(s):

- (02/23) Stand aside.

Option Strategy(s):

- (12/16) Sold 1 Apr 84.00 put @ 2.45, risk to 3.60, obj 0. Closed 2.70.

Cattle Technical Commentary:

Cattle closed near the highs of the session today and held above Friday's low at 82.40. The overall trend remains bearish though, so we can't assume a bottom is in yet. Follow-through strength needs to be seen first.

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Vital Technical Indicator: Next projected major turn day for live cattle is March 11 and for feeders is March 2.

USDA Cattle On Feed Report to be released on 02/20/2009 @ 2:00 PM

	Ave	Trade Range	ALLENDALE	Actual
On Feed February 1	94.3	93.8-95.3	93.8	94.3 =
Placements	103.1	98.5-108.0	98.5	104.0 =-
Marketings	92.6	91.5-95.0	92.6	94.7 +



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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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