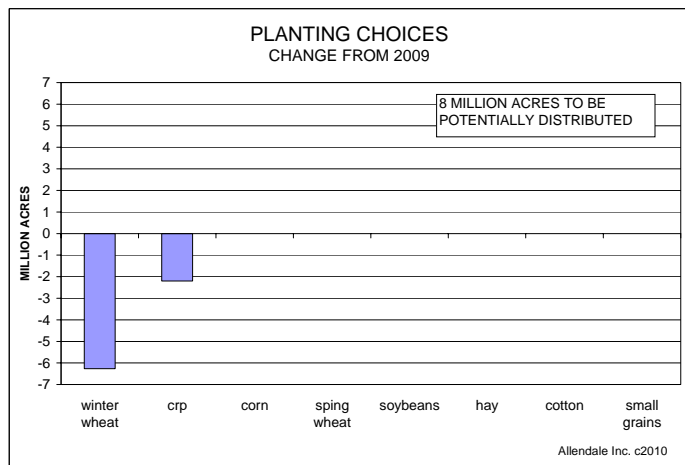


Allendale Wrap-Up for Business Day 03/01/10



Corn: It is likely that next week's USDA report will show a drop in ending stocks again. Their old crop guess was 1.719 billion bushels in February. That will push into the 1.6's. Additionally, there is nothing but bullish news that can come from planting issues. We have a full 8 million extra acres available for planting this year. Additionally, crop budgets still point to more bottom line revenue from corn. We do have to question how much will go into corn. Though we had fantastic yields last year, farmers are getting just plain tired of all the problems associated with it since September. Keep in mind we **MUST** have extra

acres in 2010. With our large 4 million acre increase we discussed at the Allendale conference in January, new crop ending stocks will decline slightly. If they only increase by 2 million acres we will drop ending stocks but may be able to get by. Anything less than a 2 million acre increase means we have serious supply problems. While we have laid out a bullish argument here, and it still drives our mindset into spring, we must try to be realistic. Markets cannot go up every week. Also, it is too early to start playing the bullish planting card. There have been years with late plantings and USDA actually increased their acreage estimate from March intentions to the June actual (2008). We will keep our generally steady to higher viewpoint but fully respect there is nothing wrong with a setback for a few days...Rich Nelson

Trade Recommendation(s):

- (03/01) Buy May 375 risk 367, objective 395.

Working Trade (s):

- (02/23) Sold 1 May 370 put 12 3/8, risk 19, objective 0. Closed 11 1/8.

*****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 key reversal today by taking out Friday's high and then closing below Friday's low. This could be the first signal that the current rally has run its course for now. We remain short from 3.86 with a stop at 3.98...Monica Moehring

Vital Technical Indicator: the next projected major turn day is March 8.

Soybeans: Beans were left just to follow other markets today. With volume in the May coming in at only 58,000 and beans following the sideways pattern, there was little interest in trading beans today. It is hard for the beans to break out in either direction right now. Everyone is on the edge of their seat waiting to hear what we get for an Argentina and southern Brazilian yield. That will have to wait a little longer as recent rains in Brazil have halted harvest for the next few days. This is not rain in the concerned areas that have been too wet recently but it does delay the long awaited actual estimates. Do the recent rains cause crop damage or was there little to no effect resulting in a record yield? Does the US find delayed planting once again leading to more acres of beans or do we get corn in on time? There are too many variables for beans to gain traction one way or another right now. Trading funds kept to the sidelines today which also subdued the activity of the day. There were early expectations for the funds to come in and buy to start the month but as we can see from the volume, they were certainly not here. With the dollar as strong as it was today, it looked unlikely that new buying was going to come in. While it is true that grains have not followed closely to the dollar lately, it is also against the characteristics of funds to be buying while the dollar is on a push higher. We look for continued sideways trade especially with recent rains slowing

harvest. Everyone is waiting for more information on the crop size. That is not to say a bigger rally is out of the question in beans but for now we need either fund or concerning weather help.

Direction: Until more is known from South America sideways trade will still dominate. Resistance comes in first at the 50 day MA of 982 3/4, support comes in at the 20 day MA of 948. For beans, that is a tight range which will likely be broken before too long but for now beans are range bound which suggests selling the strangle listed below...Ryan Ettner

Trading Recommendation(s):

- (02/24) Sell May 930 put/sell May 1030 call market, risk 58, objective 0.
- (03/01) Buy May 948 3/4, risk 935, objective 968.

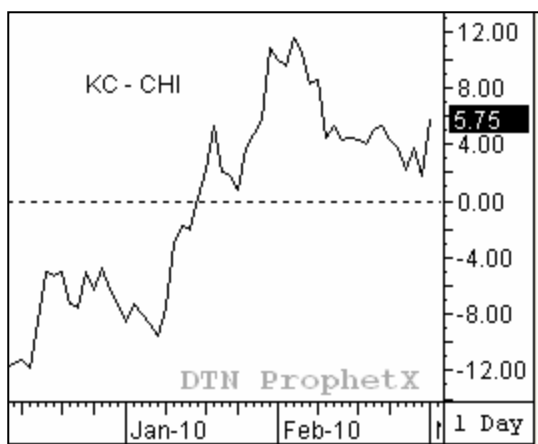
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Advanced Charts Direction: Beans continue to trade into the wedge formation, but are struggling with 38% retracement as solid resistance. The market pushed above it last week, but couldn't close there. Therefore, we have a sell order at 372...Monica Moehring

Vital Technical Indicator: The next projected major turn day for soybeans is March 4, soybean meal is March 12, and soybean oil is March 23.

Wheat: Both MGEX and CBOT May futures held the trade range and we encourage you to use these ranges for near-term trading. It is estimated that funds sold 5,000 contracts of CBOT futures with spreading starch vs protein. It did not help the US but did help the world cause with Iraq buying 380,000 tonnes of wheat. A weekly wheat inspections number of 17.676 million bushels is viewed as neutral when compared to pre-release estimates. With 13 weeks remaining in the marketing year today's grain inspections came in 1.838 million bushels/week more than needed. The balance of the week should find CBOT trading the range and we remain long KCBT vs the CBOT wheat. Fundamentals are supportive to the MGEX September wheat futures and ultimately we feel the chart gap 568-569 3/4 above may be filled.

Direction: Officially, this market is still in an uptrend. Support on the May Chicago is 496 with immediate resistance of 526. We are neutral-bullish wheat...Joe Victor



Working Trade(s):

- (02/23) Bought May KC wheat/sell May Chicago wheat 4, risk to -3, objective 16. Closed 5 3/4.
- (02/23) Sold May KC 490 put 18 5/8, risk 28, objective 0. Closed 16 1/4.

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Advanced Charts Direction: Wheat posted a large outside bar on the chart today with a weak close. Our sell order got

filled at 520 on the early strength overnight. This market continues to find solid resistance at the 38% level...Monica Moehring

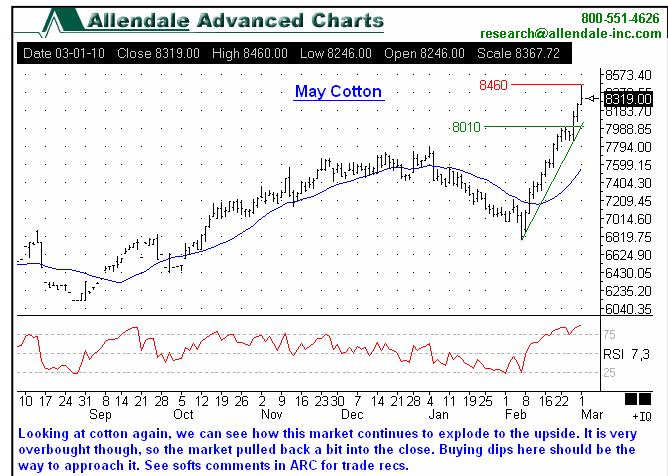
Vital Technical Indicator: the next schedule projected major turn day in store for wheat is March 9.

Softs: Sugar: May sugar broke again today with a 135 point loss. We are approaching the 200 day moving average and should find good support around 21.90. The sugar chart is the exact opposite of the cotton chart. It seems the funds are selling sugar and buying cotton. Sugar is much oversold and cotton is

extremely overbought. The fundamentals are still friendly so we feel at some point this market should return to the highs and potentially work higher. We have bought calls and feel that is the best way to remain long in an oversold condition.

Cotton: Cotton rallied 83 points today and continues its impressive run to new highs. Funds have been buyers and we look for this to continue for the next few weeks. The charts are pointing up and the fundamentals are friendly so we will continue to look at breaks as buying opportunities. As we approach the next USDA report we will be looking at puts to protect any fundamental change we may see. It was the last report that gave the bulls the strength to rally this market as much as they did.

Orange Juice: Orange Juice broke out to the upside today. The may contract rallied \$4.40 as technical buying pushed through the top side of the wedge formation. We are bullish OJ and look for a retest of the current contract highs. Fundamentals are friendly as OJ producers continue to have issues from the cold weather for the past few months. We still like buying pullbacks at this time...Steve Georgy



Trade Recommendation(s):

- (2/24) Sell **May Cocoa** at 3050, objective 2905, risk 3118

Working Trade(s):

- (02/19) Bought **May OJ** 140.00, risk 136.50, objective 150.00, closed at 147.95
- (01/27) Bought **May Sugar** 30 cent calls/sold May **Sugar** 34 cent calls at 86 points, risk to 0, objective 386 points. Closed 15 points

Energies: April Crude Oil started the month of March on a weak note, closing \$0.96 lower on the session at \$78.70. Early strength above \$80 was not sustained as a strong U.S. Dollar and weak Euro helped cause investors to book profits after the recent price surge. We don't feel that Crude will have the strength to maintain prices above \$80, unless we have either a paradigm shift in our current economic recovery or a major geopolitical event. A paradigm shift would most likely require an advance in employment growth and the current geopolitics in question involve Iran and their energy program. Without either of these events occurring, it seems logical that in order for banks to continue to reap the benefits of cheap money from the Fed, they want to continue to see low interest rates. The Federal Reserve continues to suggest in its meeting communiqués that the risk of inflation remains low and unemployment is obviously still a concern. With these two statements in mind, we could argue that banks really don't want to be the catalyst in causing Crude to break into new highs; \$90 or \$100 Crude Oil will definitely get the inflation numbers to blink on the radar screen. \$90-\$100 Crude is would also be burdensome to our economic recovery if it came ahead of actual growth. If this is the case, it would behoove the major proprietary funds to continue to look for \$5-\$8 profits on a regular basis in a choppy market rather than look for a sustained \$15-\$20 move that could possibly be a reason for the Fed to take action sooner than later. If this is true, we should continue to see profits booked at or near \$80 with continued fund buying near major support levels...Brian J. Splitt

Working Trade(s):

- (2/24) **Sold April Crude Oil** 79.13, risk 81.23, objective 73.25. Closed \$78.70.

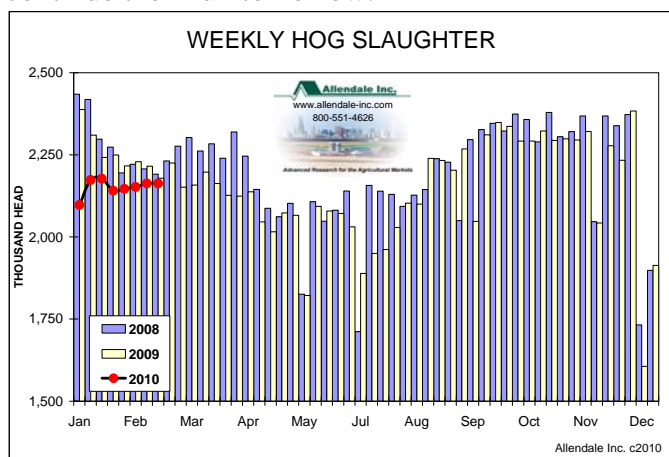
*Note-The market opened better than our recommended sale price so we adjusted the risk accordingly.

Technical Commentary: Close-in support for April Crude is \$78.54 with \$78 just below. The 50 Day M.A. sits at \$78 and we feel that this is a significant price level, especially if violated on a closing basis. \$77.05, \$76.13, \$75, \$74 and \$72.90 provide further support. Close-in resistance is \$80.62 and \$80.78 with \$81.50, \$82.30, \$84 and \$85 providing further resistance. Stochastics are overbought and pointing down.

Gold is testing the current downtrend today which has filled our sell order at 1120.00. Today's range has been small though. The moving averages are providing support at 1107.00.

Lean Hogs: Officially there is nothing out there to derail this bullish hog market. The trade has received numerous reports suggesting supplies are smaller than expected, pork exports are great, and the US will get a successful agreement with Russia worked out.

Poultry Hopes: During the trading session the head of the Russian group which initially banned US poultry indicated that day one of the two day meetings with the US went well. This will likely help bulls continue their run tomorrow.



Hog Slaughter Back In Line: We have reported for weeks that hog slaughter has been much less than expected. Part of the reason is that poor quality corn meant poor quality growth in hogs. While they were still being marketed at the same weight, it was taking longer for them to reach it. The other opinion about the issue is that USDA simply over-counted numbers on the last Hogs and Pigs report. We must report that recent slaughter information is showing much of this discrepancy has been alleviated. Four week average kill rates were 6.5% smaller than last year at the end of January. At the end of February, the four week average was 2.4%

smaller. In that last week of February, the number was 0.7% lower. We look for the second quarter kill to be 1.9% smaller than last year.

Direction: This market wants to be bullish. Even the daily trading statistics show open interest continues to gain. We noted above that one of those stories propping this market up (lower supplies) may be waning. We wonder if the poultry news may be a “buy the rumor and sell the fact” type of trade ...Rich Nelson

Trading Recommendation(s):

- (03/01) Sell Apr 72.50 stop, risk 1.60 from entry, objective 70.00.

Working Trades:

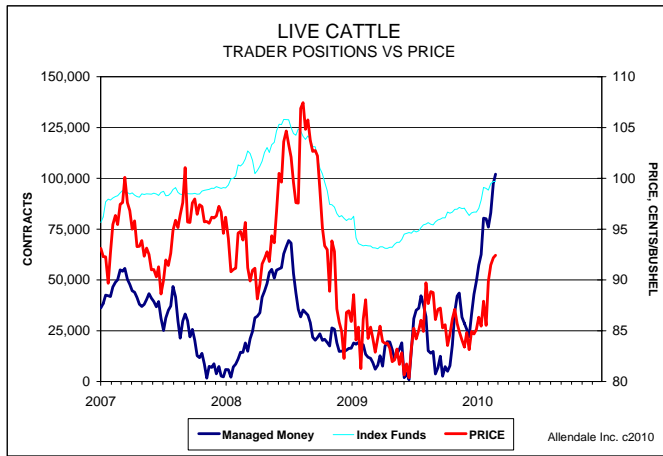
- (02/16) Sold May 68 put 1.32, risk 1.90, objective 0. Closed .65.
- (02/18) Bought June/sold April 9.40, risk 7.72, objective 11.50. Closed 9.02.

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Advanced Charts Direction: Hogs pushed higher again today, but settled near the lows of the session. This could be a sign that the overbought status of the market may finally be taking a toll and a correction is coming...Monica Moehring

Vital Technical Indicator: Next projected major turn day for lean hogs is March 5.

Live Cattle: At this afternoon's meeting with the brokers, we put up a chart showing current wholesale beef prices. The measurement of prices is USDA's "comprehensive" beef report. It shows last week's prices for all categories of beef, not just choice and select. As you may have heard, last week as beef prices approached \$150 per cwt. they had a little pushback from end buyers. The same pushback was also seen two separate times at the same price in 2009.



Record Fund Longs: In the Special Reports section of our website you can see the Commitment of Traders position chart for live cattle. We have updated the live cattle chart to show conditions since 2007, not just since 2009 like the other contracts. We did this to show how dramatic the run-up in fund longs has been recently. In this case we are talking about the Managed Funds. These are the traditional funds which go both long and short. They are either large individual accounts managed by a CTA (Commodity Trading Advisory) or CPO (Commodity Pool Operator-like a regular stock mutual fund). The current long position that

Managed Funds have is at a record level. With this much bullish interest in this market, we still do not expect a large price break soon.

Direction: Beef prices have been mixed for a few days, instead of the normal straight up. Feedlots, which are soggy in the south, may see some reprieve as warmer temps help dry things out. Additionally, the forecast storm for the southern plains has been scaled back. We are suggesting current prices are too high for our generally neutral market viewpoint. We will respect the fact record long fund interest and strong seasonals would imply price breaks are limited in severity for now...Rich Nelson

Trading Recommendations:

- (03/01) Sell June 93 call 1.45, risk 2.15, objective 0.

Working Trade(s):

- (01/29) Sold April 86 put/sell April 92 call 2.30, risk 2.70, objective 0. Closed 1.60.
- (02/24) Sold April 92.00, risk 93.20, objective 89.50. Closed 91.72.

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Advanced Charts Direction: Cattle continue to hold support at 91.35 right now, which is near the 20 day MA. We remain short from 92.50 and feel there may be more pullback towards the uptrend in the coming sessions...Monica Moehring

Vital Technical Indicator: Next projected major turn day for live cattle is March 10 and for feeders is March 10.

[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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