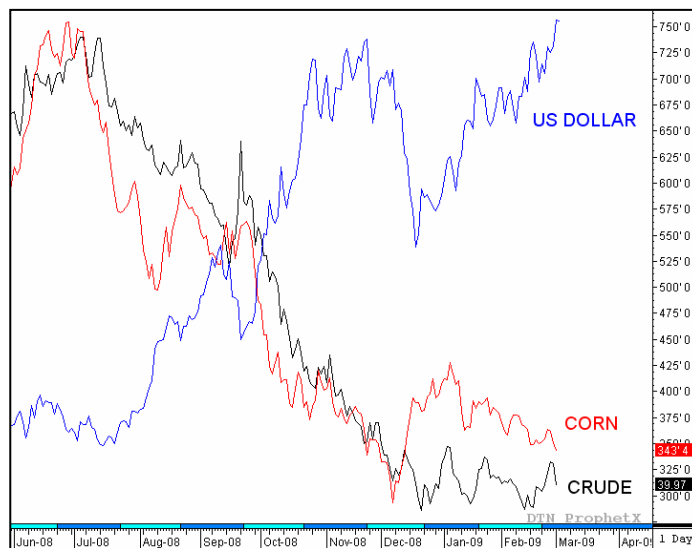


## Allendale Wrap-Up for Business Day 03/02/09

**Corn:** The economy and crude oil prices remain at the forefront of this market's focus. The Dow index closed at the lowest close since April 14, 1997. Also bearish, the close on the US dollar now gives it the highest close since 2006. Back in this past November it hit up to 89.25 but was not able to hold those areas. That price may be tested soon. News related to corn was pretty mild. Weekly export inspections came in close to expectations of 31.4 million bushels and had little impact. The other issue we are still looking at is with 2009 acreage. We have over 5 million acres left for corn and soybean planting. With fertilizer rates declining we may get a little surprise in corn acres. This issue is a big one and illustrates why your participation in Allendale's annual Planting Survey is so important. This is one of the only true farmer based surveys around. Last week the trade got wind of USDA's thoughts on 2009/10 acres and other numbers. A better thing to ask is whether we should even pay attention to their numbers. Are their February outlook, forum numbers any good? We will release their history and what actually happens this week. Look for their corn track record tomorrow.



**Argentina:** There was an announcement that Argentina may set up a governing body for grain and livestock. Essentially, this body would have power to control all exports and possibly even set prices directly. Some suggest the move is to prompt farmers into selling soybeans and therefore generate revenue from hefty export taxes. Argentina's government is strapped for cash right now. In the short term, this news is bearish as it may loosen a few tonnes from farmer's bins. In the bigger picture, there could be an adverse reaction here. Farm groups may restart strikes. For now, this story is a secondary issue and is clearly behind the economy in importance. We will watch this closely however.

**Direction:** For short term market direction our downside price targets have been met. That does not mean this market is a buy yet. The market obviously still has not finished the business it needs to take care of at lower prices. For our price outlooks, when a market fills our objective we switch to the charts and monitor how the market is trading. For now, the trend is down and we must continue to trade with the trend. We do look for this market to limp back up into planting for one last chance to sell. This will be a move to get all remaining new crop sales on, not one to get bullish on though. For now stay with trend...Rich Nelson

### Trade Idea(s):

- (02/26) Sold 1 Jul 379 1/4, objective 360 filled 03/02 for +\$962.50.
- (03/03) Sell 1 Jul 374, risk 386, objective 340 1/4.

### Option Strategy(s):

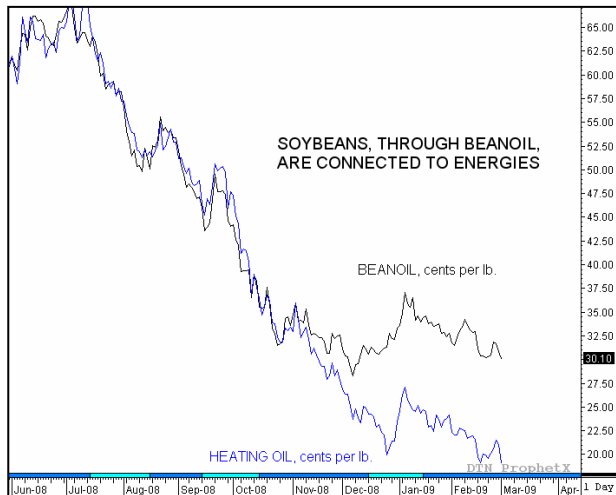
- (01/23) Bought 1 Dec09 410 put @ 51 to lock in a floor. This as a starting point for a position to be built as the market moves. Closed 74 3/4.
- (01/13) Bought Jly 390 put/sold Jly 460 call at 12, move risk to 19 to lock in profit, obj 50. Closed 44 3/8.

### Corn Technical Commentary:

After testing the 10 day MA overnight, the corn market fell through support at 360 during the day session. The close was just below this support level, so tomorrow's trade could be key to see if there is any rebound or not.

[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:** Today's price break was led by soybeans. You could argue the Argentina news we discussed on the Closing Corn Commentary page is short term bearish to soybeans. Combine that with the economy and you have new lows for this downtrend. The November contract even broke the lows it had posted back in the month of November. Weekly export inspections at 27.2 million bushels came in as expected. That news will take a back seat this week to any developments for Argentina. On the new crop side we still have USDA's suggestion that soybean acres will increase by only 1.3 million acres in our head. Even that number is bearish. A higher number, which the trade believes is out there, would be even more bearish.

**Direction:** In the short term...market direction is down. This market has met our downside objective and is currently exceeding it. It is not finished with the business it needs to complete at these lower prices. For trading we advise to stay with the trend. For the longer term picture our models do suggest a moderate rebound into spring could be due. The only question is from what level will we start that rebound? For producers all old crop soybeans have been sold. If you have not sold your old crop cash we would still advise to sell it now and buy a low risk call option if you want re-ownership. For longer term price targets we have a 706 target for November to hit at harvest...Rich Nelson

**You Will Leave 5 Million Acres Unplanted?:** We think USDA is wrong in their assumption. Help out with our annual Planting Survey and let's find out where those acres will be going. This survey is not influenced by USDA, seed companies, equipment dealers, concrete dwellers who work on the floor, Kentucky Windage, or any other tricks. This is a pure farmer driven survey. We have been doing this for years and have the background to provide, what we feel is the best, unbiased estimate for this month's Planting Intentions report. 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](http://www.allendale-inc.com).

#### **Trade Idea(s):**

- (02/26) Sold 1 Jul 884, objective 850 filled 03/02 for +\$1,700.

#### **Option Strategy(s):**

- (01/28) Bought 1 Nov 840 put, sell 1 Nov 720 put at 43, risk 20, obj 70. Closed 64 3/8.
- (02/11) Sold 1 900 May put/sold 1 1140 May call 53, risk at 83 filled 03/02 for -\$1,500.

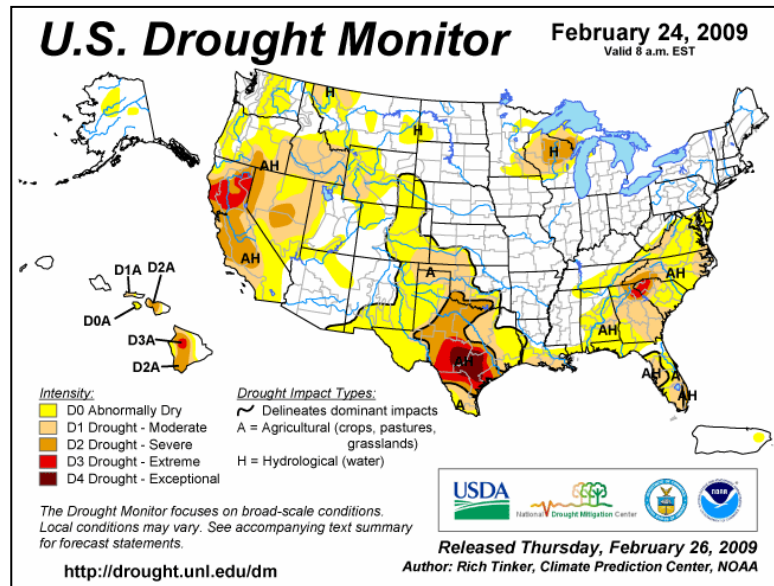
#### **Soybean Technical Commentary:**

Beans settled well below previous support at 859 3/4 today, which could put further pressure on this market in the coming sessions. There is not much support until the Dec low at 796. The 10 day MA is providing resistance up near 880.

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**Vital Technical Indicator:** the next projected major turn day for soybeans is March 5, soybean meal on March 6, and soybean oil is March 18.

**Wheat:** This market continues to play follow the leader after corn and soybeans. If you wanted to paint a bullish argument between the three, you would probably have to talk about wheat. Once weathermen finish totaling February precipitation totals, they will likely tell us the drought got even worse. For short term trading, one of the things we watch is outside money. Friday's Commitment of Traders gave no indication of a bottom. In the previous week, the traditional trading funds sold 2,901 contracts and the long only index funds liquidated 14 contracts. While we all know, the left over stocks of wheat from 2008 production will drown out the big 5 million acres of fewer wheat plantings USDA is now expecting. If you want to get bullish based on the problems in Texas and Oklahoma you will have to wait until early April. It is when news wires see that the yield determining spring rains don't come that we will start hearing more about it. For short term trading stay with the trend which is down. For longer term we do look for a rebound into spring. We will not act on that until the trend changes...Rich Nelson



### Trade Idea(s):

- **CBOT Wheat:**(02/26) Sold 1 Jul 555, obj 531 filled 02/27 for +\$1,200.
- **KCBT Wheat:** (03/03) Sell 1 Jul 572, risk 586, obj 549.
- **Minn Wheat:** (02/23) Sold 1 Jul 603, objective 585 filled 03/02 for +\$900.

### Option Strategy(s):

- (02/04) Sold 1 May KC 500 put/sold 1 May KC 640 call 37, move risk to 40, obj 0. Closed 23 3/4.

### Wheat Technical Commentary:

KC wheat closed below the previous double bottom on the chart at 561 today. This could pressure the market again tomorrow, but there's not much support until the Dec low at 519. Selling on a rebound is probably the way to go.

[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 March 9.

**Softs:** Relentless pessimism about the economy and equities triggered a downward slide in just about all of the commodities today. The traders' attitude to buy anything today was absent and just about all the soft markets broke to the lowest levels in 2 months. There was very limited fundamental news to give any support today but the perfect storm had occurred. The perfect storm is to see the Stock Market falling apart, Crude Oil down hard, and a very strong dollar. This mix keeps a very negative tone to the soft markets and gives traders a reason to liquidate. May Cocoa was down 200 points at 2213. Cocoa will

follow the stock market the closest due to the luxury item status. May Coffee was down \$6.20 at 105.70 and didn't quite take out the December lows of 105.00...Steve Georgy

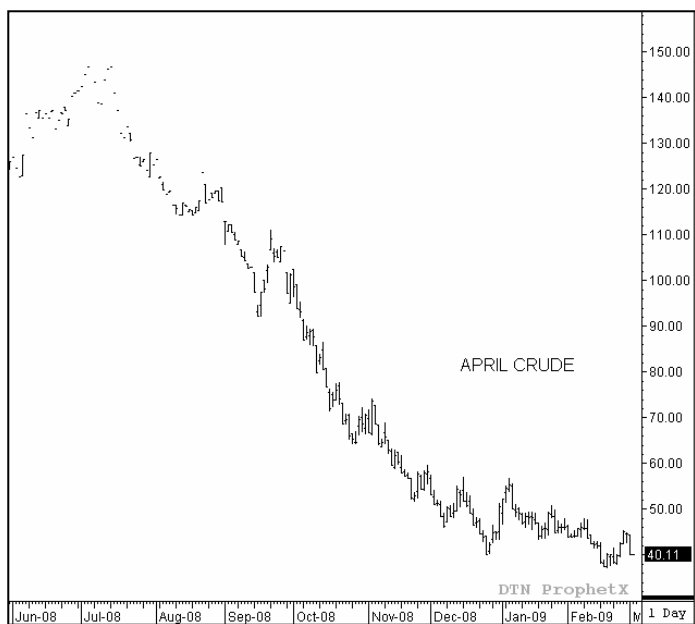
### Trade Recommendation(s):

- 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):

- Bought May Cocoa at 2405, Risk 2305 stop, Objective 2600 (Stop hit -1,000)

**Technical Commentary:** What can I say, the technicals look ugly. With the economy in shambles, you will see rallies looked at as a selling opportunity. One thing to watch in the Cocoa is that may was not able to take out Decembers lows and we are right up against a long term trend line. You will find 2185 and 2098 as support with 2288 and 2350 as good resistance.



**Energies:** April Crude Oil broke \$4.61 (10%) as the stock market finished below low 7000 for the first time since October 28<sup>th</sup>, 1997. The market attitude was seen as very negative for crude with funds liquidating on fears that the stock market is going to continue to collapse. Heating Oil and Unleaded gas took hit today as well. Heating oil was down more that 11 cents with gas down over 8 cents.

### Working Trade:

- Bought 1 June Crude Oil and Sold 1 April Crude Oil (2/25) at \$3.55 premium June. Risk to \$1.55 premium June with an objective of \$7.55 premium June. The spread settled at \$3.29 premium June.

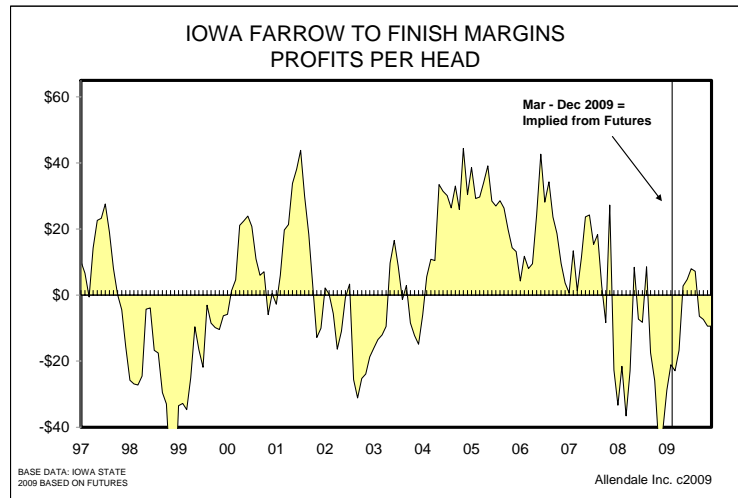
### Closed Trade:

- Sold 1 April Crude Oil today (2/27) at \$44.75. Risk to \$47.15 with an objective of \$40.75. April Crude settled at \$44.76. (Objective Hit + 4,000 profit)
- Bought 1 April Crude Oil (2/23) at \$39.73 (done at the open on Sunday night, 10/22). Risk of \$44.23 hit 2/26 for +\$4,500.
- Bought 1 March RBOB and Sold 1 April RBOB (2/20) at 10.30 cents premium April. Risk of 9.30 cents premium April hit today (2/27) for +\$420.

**Technical Commentary:** April crude fell through \$40 and hit support at 39.84. 39.82 was the December low but I would not be surprised to see us penetrate that before the week is out. Crude support is 39.82 and 37.22 with resistance at 41.36 and the 20 day moving average 42.19.

**Hogs:** It is easy to get discouraged right now on hog prices. A banker this afternoon lamented the fact he is seeing his lending board starting to tighten down on the screws. From their standpoint, all these people are seeing is bad news followed by bad news regarding the economy. The banker noted his pork

producing clients are not looking so rosy to the board as they have been losing money since October of 2007. It is hard to see the forest for the trees. The problem is all recent history is bearish and we will not get resurgence in bullish news until mid April or so. Our models show domestic pork demand has been hurt slightly by the economy. The market believes it is getting clobbered. Pork exports through December were doing better than anyone had hoped (even with last year). The market believes they are getting clobbered right now.



Slaughter levels in the past four weeks have

averaged a small 1% under last year. The good news is that is based only on lower Canadian imports. When the US hog herd liquidation hits, during spring, we will see slaughter levels drop to 4% to 5% smaller than last year. That is right in the tightest supply time of year anyway. Keeping it simple...we look for this mixed and sloppy price action to remain all month and into early April. When mid April rolls around we look for the market to get serious about pricing these summer contracts correctly and look for a rally to \$80 for the May through July's...Rich Nelson

### Trade Idea(s):

- (03/03) Buy 1 July 72.60, risk 71.20, obj 74.50.
- (01/28) Bought Jun/sell Apr at 12.30, risk to 10.80, obj 15.00. Closed 11.20.

### Option Strategy(s):

- (03/03) Stand aside.

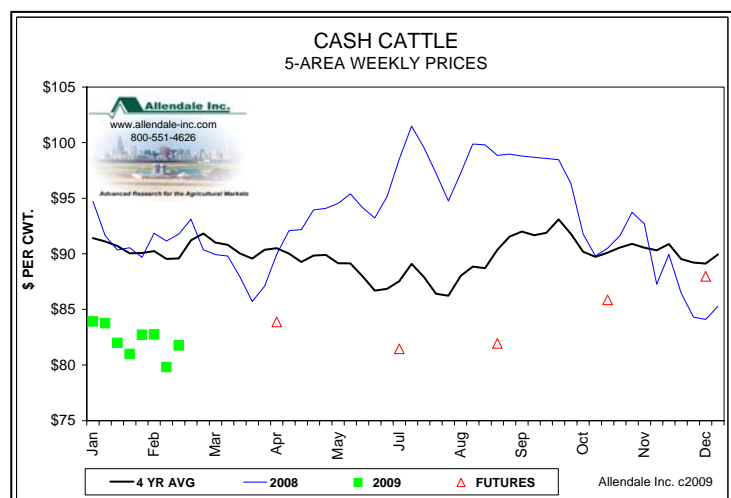
### Lean Hog Technical Commentary:

Hogs became trapped between the current downtrend and first support at 59.85 today. The close was near support, but this market could still head either way. We will place a buy stop above last Friday's high for now.

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

**Vital Technical Indicator:** Next projected major turn day for lean hogs is March 12.

**Cattle:** The problem with beef demand is you don't know exactly how it changes until after the fact. We are trading on perceptions of yet further declines in beef demand. Given news that the stock market has taken out over 11 years of progress we cannot argue with traders "selling first and asking questions later." Having said that, it was interesting to see the wholesale beef market closed up in both choice and select. We view this market has strictly as sideways trade right now. Futures have likely priced in around 90% of the bearish economy news. At best this market



may be able to fill the gap on the April at 86.90. At worst perhaps cash cattle will be around \$82 at the end of April...Rich Nelson

### Trade Idea(s):

- (02/26) Sell 1 Apr 87.05 MIT, risk 88.40, obj 84.50.

### Option Strategy(s):

- (12/16) Sold 1 Apr 84.00 put @ 2.45, risk to 3.60, obj 0. Closed 2.37.

### Cattle Technical Commentary:

Cattle sold off in a fury today and settled well below 38%. This sharp drop reaffirms the current downtrend in this market. Even though the rest of the gap overhead was not filled, it may not be enough to pull this market higher right now.

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

**Vital Technical Indicator:** Next projected major turn day for live cattle is March 11 and for feeders is March 17.



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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](mailto:research@allendale-inc.com)

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