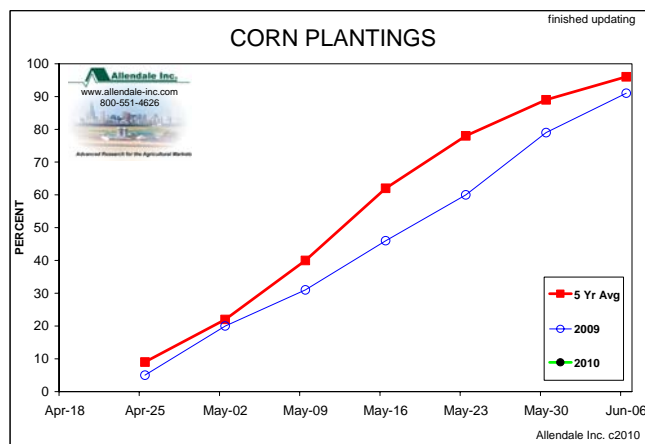


## Allendale Wrap-Up for Business Day 03/15/10

**Corn:** The key planting progress dates for corn are May 2 thru May 23. We normally go from 20% to 80% planted in that timeframe. Traders will soon be looking at the soil moisture maps and the wet conditions in the Red River valley and western IL Mississippi valley. Ideal spring weather must occur in order to avoid a planting concern issue. Current prices have moved towards previous lows and so far, major support is holding. The sell off has been largely due to 1) ethanol prices that have recently tanked. The good news is that ethanol prices are now down to a historically low ratio to gasoline (70%). Thus we should see the ethanol hold soon. 2) There is a lot of poor quality grain that needs to move out of the bin. The size of this issue is an unknown...but talked about everywhere we travel. We think that a lot has already been shipped. These two factors will be the negative catalyst for putting in a bottom. Thus, short term, we still see this market trying to test support in order to "find" a place where we run out of sellers and put in a low. Then we expect the focus to turn towards planting concerns. We are willing to buy just below support so that we are buying into stop loss selling. If there is no follow-thru, we will have a great low risk position. We know that it might take a few tries to get long before it works. Thus we will try to keep our risk limited until a low is in place....Bill Biedermann



### Trading Recommendations:

- (03/11) Buy May 356, risk 349, objective 389.

### Working Trade (s):

- (02/23) Sold 1 May 370 put 12 3/8, risk 19, objective 0. Closed 16 3/4.

**\*\*\*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 continues to hold just above the February low at 359. Is the market building a bottom, or is this just a pause in the current downtrend? We remain short from 386 with a protective stop at 375...Monica Moehring

**Vital Technical Indicator:** the next projected major turn day is March 23.

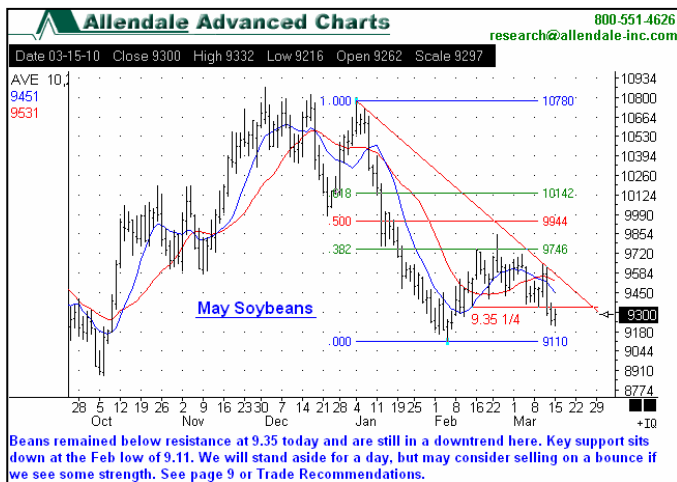
**Soybeans:** After the USDA pulled the switch in bean sales last week, the market has not been able to recover. This market has now approached support levels seen following the January sell off. It is at this point that it will take more than outside markets to keep this market grinding lower. While crude and the dollar trade may be able to pull beans lower on a slow news day, it is unlikely that those markets will cause a break below recent support which is 911 for the May and 900 for November. With the South American crop getting harvested at a good pace, it is unlikely soybeans will see much of a rally. Another issue is that even though the pace is good, yield numbers have not been providing much information. We are just not hearing enough from yields. There is some talk that they have been coming in slightly disappointing but for the most part, we are just not hearing much at all. What this comes down to, is that we see reason for beans to move sideways short term, just as corn has been doing lately. For now, we have to keep waiting for information to provide us direction. With some of the snow pack melting over the last week with continued warm weather expected to move in, some thoughts are that fieldwork needed to plant corn just might get done. Perhaps planting intentions will change greatly in the last few weeks leading up to actually putting the crop in the ground. What happens if conditions do work out well and

areas finish tillage left undone last fall? It seemed all winter to be a feat that was too large to accomplish but now that the sun is out, opinions seem to change. It would be no surprise to see ideas of acreage change last minute which has potential to add support to beans should the corn get in on time. It is a tall order to get all the spring fieldwork done but with normal spring weather, I would side with the idea the producer will get it done and more corn will be planted.

**Direction:** We are holding our neutral market view right now. Watch for weather changes as a short term guide. Weather improvements may lend support quickly to beans as the crop shifts back to planting corn. Most importantly, keep an eye on South America for those yield reports; they will cause the largest and most sudden move. Major support for May is 911 and November is 899 1/2...Ryan Ettner

**Working Trade(s):**

- (03/01) Sold May 930 put/sell May 1030 call 32 3/4, risk 58, objective 0. Closed 28.
- (03/11) Bought May 930, risk 916, objective 960. Closed 930.



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**Advanced Charts Direction:** Beans remained below resistance at 935 today, but are still in a downtrend here. Key support sits down at the Feb low of 911. We will stand aside for a day, but may consider selling on a bounce if we see some strength...Monica Moehring

**Vital Technical Indicator:** The next projected major turn day for soybeans is March 23, soybean meal is March 26, and soybean oil is March 23.

**Wheat:** With the weaker crude oil, it is amazing corn and wheat did not sell off more. Spreading between the soybeans vs the corn and wheat was evident. Our 5 and 10 year seasonals suggest a rally for CBOT wheat typically in the making now through April. The last time projected US end stocks were above 1 billion bushels was 1987 and present end stocks-to-use is 50.4%. That is just killer when it comes to seasonals. Do not look to the dollar for a correlation between the two. You have to venture back to early October to find a comparison to the recent low. Timing suggests new crop MGEX may have found a bottom with the recent high resistance near 547.

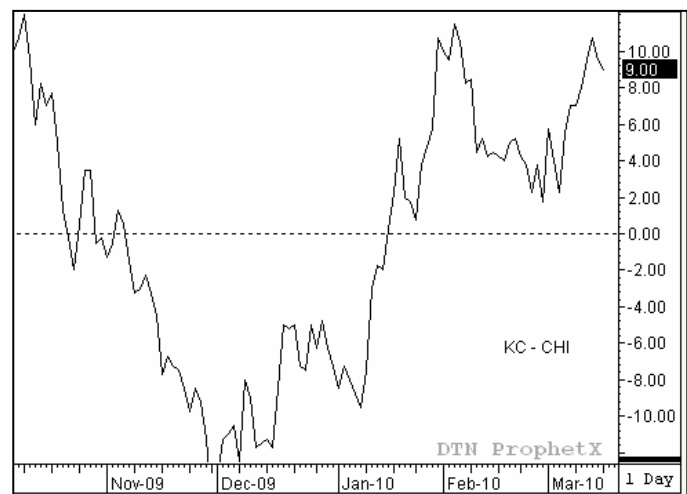
**Direction:** We are neutral to slightly bearish. A trading range on the May Chicago contract can be experienced from 470 to 510...Joe Victor

**Trading Recommendations:**

- (03/12) Sold May Minneapolis 530 call 12, risk 18 1/2, objective 0. Closed 10 7/8.

**Working Trade(s):**

- (02/23) Bought May KC wheat/sell May Chicago wheat 4, risk to 0, objective 16. Closed 9.
- (02/23) Sold May KC 490 put 18 5/8, risk 28, objective 0. Closed 21 1/4.



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**Advanced Charts Direction:** KC wheat nearly set another new contract low today, but also traded above some resistance at 492 1/4. The trend here is still very bearish and we have no signs of a bottom yet. We recommend selling rallies...Monica Moehring

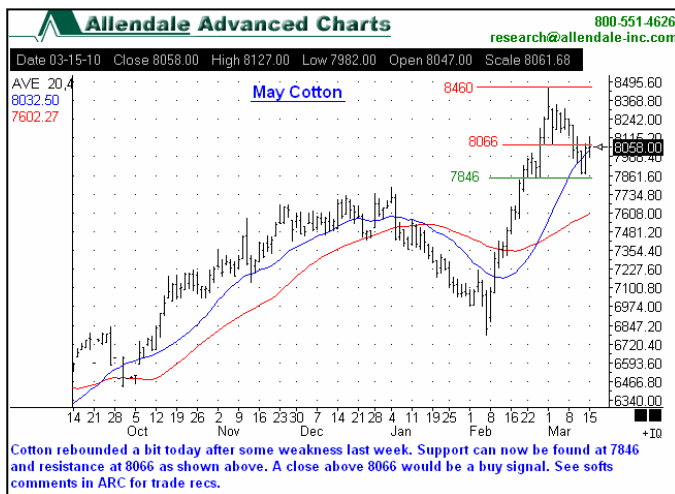
**Vital Technical Indicator:** the next schedule projected major turn day in store for wheat is March 26.

**Softs: Sugar:** Sugar was 55 lower today as most of the markets sold off due to a stronger dollar and weak energy prices. This was the lightest volume we have seen since January. The charts seem to be consolidating but we will need to hold last week's lows to keep from taking the next leg down. We expect to see some short covering over the next few sessions but a rally will find good resistance near 22 – 23 cents. We are going to stand on the sideline for now but the next few sessions could change the technical

picture quickly.

**Cotton:** Cotton closed near the upper end of the range and seems to be looking a little friendly on the charts. We are going to try and get long near the 20 day moving average on a little pullback in the morning. Cotton is still in an uptrend and we feel the next push could be just like the last push we had seen. The volume was very light today but we expect to see that pick up over the next few sessions.

**Orange Juice:** Orange Juice closed lower but still looks good on the charts. We are trying to buy OJ lower but we have been unsuccessful over the last few sessions. We are going to keep our order for now but we may have to adjust it by the end of the



week. No major news on the fundamental side today...Steve Georgy

**Trade Recommendation(s):**

- (3/15) Buy **May Cotton** 80.35, risk 78.70, objective 90.00
- (3/8) Buy **May Cotton** 83.50 stop, Objective 90.00, risk 81.50
- (3/4) Buy **May OJ** at 144.00, objective 156.00, risk 138.50

**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 2 points

**Energies:** May Crude settled \$ 1.46 lower at \$80.08. This lower close was a continuation from Friday's negative outside day reversal. (Friday the market took out Thursdays high and low and closed lower for the day.) After Fridays weak close, the market was susceptible to more technical selling coming into this week, which we got today. On the Fundamental side, the crude was pressured as the US dollar rose sharply. The dollar rose on concerns about the global recovery as well as talk that China might continue its credit tightening to restrict economic growth and curb inflation. It was also announced that OPEC has increased oil drilling at the fastest pace in the last 2 ½ years. This is going on even though OPEC nations are pumping 26.9 million barrels per day. This is 1.9 million more than targeted levels. We missed buying the crude today on the low of the day. We will keep the order working to see if we get filled overnight...Jim McCormick

**Trade Recommendation(s):**

- (3/12) **Sell May Crude** 82.15. Risk 83.65, Objective 79.65.

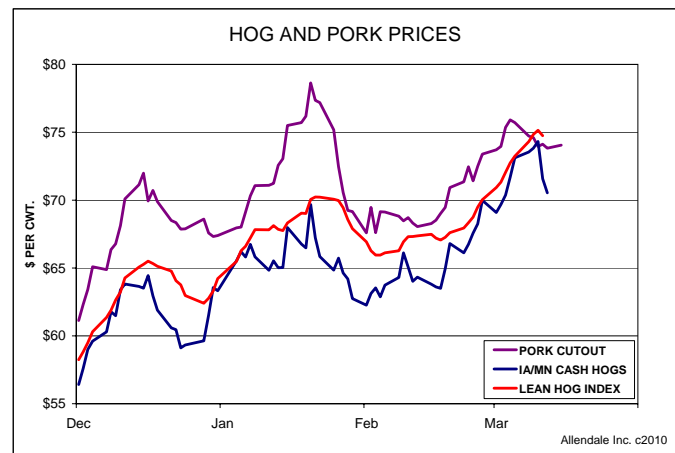
- (3/12) **Buy May Crude at** 79.65. Risk 77.15, Objective 85.65.

**Technical Commentary:** Crude Oil is in an up trend. A move above \$84 would be a breakout on the continuous chart and a move above \$85.50 would be a breakout on the May chart. Close-in support for May Crude is at the \$79.60 level as well as \$78.55, \$77.40, \$76.15, and \$74.75 will remain technical targets for bears. Close-in resistance is \$82.20 with \$83, \$84, 84.40 and \$85.50 providing further resistance. Stochastics are overbought and pointing down.

Since volume has dropped off in the March contract, we will look at May copper next. We exited this market on the opening last night.

**Lean Hogs:** A look at the hog price chart on the Special Reports page of our internet site shows it is not unusual for cash hog prices to face weakness from early March into early April. The same thing was seen last year. Keep in mind 2009 pricing is a valid comparison until the swine flu issues hit the media on April 23.

**Direction:** Last week we noted early runs of demand models suggest US consumers are starting to accept more meat. We cannot confirm if that means they are also “trading up” into beef yet. Even with a slow rebound in pork demand plugged in, our models imply summer futures (June, July, and August) could move to \$77. Currently they are at \$80...Rich Nelson



#### Working Trades:

- (02/16) Sold May 68 put 1.32, risk 1.90, objective 0. Closed .60.
- (02/18) Bought June/sold April 9.40, risk 7.72, objective 11.50. Closed 8.77.
- (03/10) Sold April 72 call 2.15, risk to 2.90, objective 0. Closed 1.60

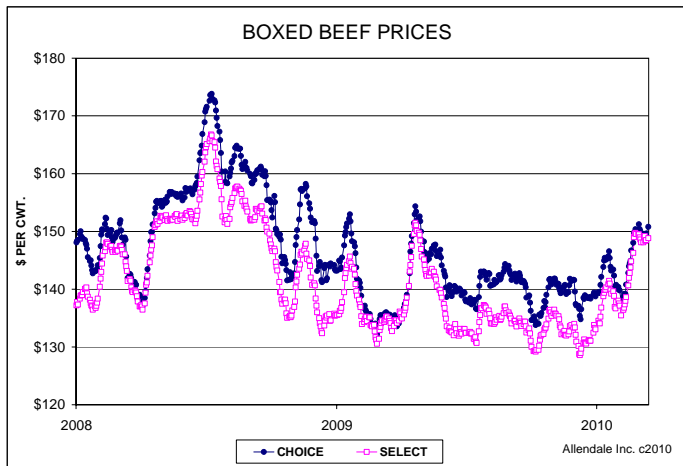
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**Advanced Charts Direction:** Hogs are finding support at the 20 day MA over the past three sessions. There is more support near 71.00 so we will place an order to buy at 71.05 for tomorrow. For now the recent weakness could be considered a correction...Monica Moehring

**Vital Technical Indicator:** Next projected major turn day for lean hogs is March 23.

**Live Cattle:** We all know about the big jump in cash cattle prices which occurred on Friday. This woke the trade up and reinvigorated bulls. Instead of rehashing the known factors here, let's take a look at the big unanswered question: “Is this fund buying simple for its own benefit or a sign demand has returned?” The fund buying is easy to answer. Trading style funds, referred to as Managed Money, are long a record amount to the tune of 115,669 contracts. That is found in Friday's Commitment of Traders report which is good through last Tuesday's positions. It is likely they are up to 120,000 now. The key thing we are watching right now is wholesale beef prices. Last year, in the spring, we saw choice beef get up to 154.37 and select at 151.07 dollars per cwt. This year's rally has put the peak up to 151.25 for choice and 149.56 for select. In essence, so far, beef prices are still UNDER last year. The challenging part of this issue is that cash cattle last year peaked at \$88 in the spring. Friday's cash cattle trade was mostly at \$94! If we had the US consumer back into beef we would need to see wholesale beef prices pushing past this \$150

level strongly. So far, that has not happened. In essence, the market is telling us domestic demand is not pulling prices higher. This is a cash cattle issue.



filled 03/15 for **-\$600**.

**Direction:** Bulls are clearly in control here. For trading we will simply stand aside for now. The trend is up and we assume today's volume was good. For charts-only trading, that is a clear go-with situation. We cannot say fundamentals justify this strong of a price though. For cattle feeders, we will point out these futures are implying a return to profits. That is too good to pass up given the sharp equity drain posted in the past couple of years...Rich Nelson

**Trading Recommendation:**

- (03/10) Sold April at 94.30, risk 95.80

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**Advanced Charts Direction:** Cattle shot to another new contract high today at 95.82 and closed near this high. Volume was much lighter though, so this is not a bullish signal. The RSI is also very high, indicating a correction could be in the works...Monica Moehring

**Vital Technical Indicator:** Next projected major turn day for live cattle is March 24 and for feeders is March 17.

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

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