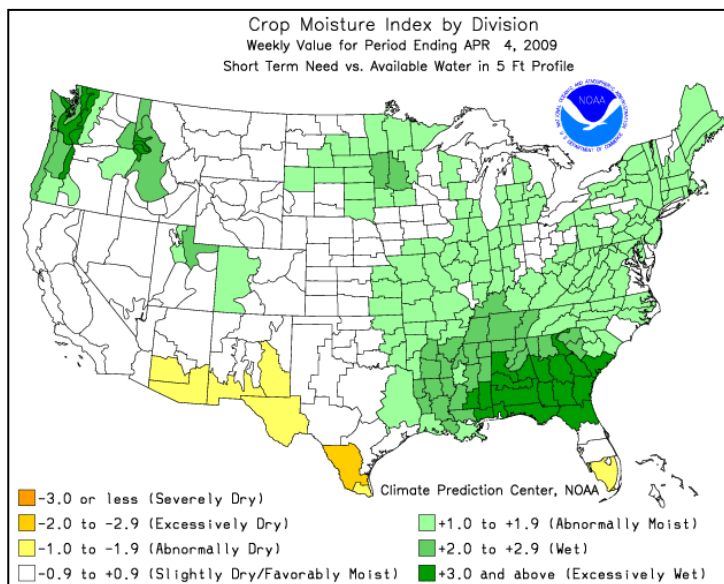


Allendale Wrap-Up for Business Day 04/06/09



Corn: Short term factors are still positive for corn. At this time of year the trade begins to turn its attention towards conditions for planting. We need warm and dry weather to show up to get rid of these cold and wet conditions. So far that is not in the forecast. The biggest factor is moisture. A quick look at the short term map of soil moisture, the Crop Moisture Index, shows all of Missouri and Illinois and most of Indiana and Minnesota are in above normal moisture ratings. The areas which do early fieldwork and planting are Missouri, southern Illinois, southern Indiana, Kentucky, and Tennessee. Bringing up Kentucky and Tennessee, we see that moisture map has them in much above normal! In other

words no work is getting done in these fields. The other issue is temperatures. Farmers generally want soil temps at around 55 degrees. The only areas with appropriate soil temps right now are Kentucky and Tennessee. Those guys have the worst moisture problem. Keeping it simple, the trade is concerned corn will not get planted on time.

Outside Money: Allendale tracks the Outside Money influence closely. The Trading Funds, who go both long and short, have been buying since mid February. The Index Funds, who hold only longs, have been buying for three weeks now. With both groups acting the same the Outside Money has a one track mind here. Their short term influence is bullish.

Direction: Officially our upside price target for spring has been met. However, the short term factors noted above will likely keep corn prices steady to higher from now into planting. For trading we will stay with the trend which is up...Rich Nelson

Trade Idea(s):

- (04/03) Bought July 412, risk 402, obj 446. Closed 415 3/4.

Option Strategy(s):

- (01/23) Bought 1 Dec09 410 put @ 51. This as a starting point for a position to be built as the market moves. Closed 41 3/4.
- (03/31) Sell 1 July 510 call 22 cents.

Corn Technical Commentary:

Corn continues to hold the current uptrend and remains on track to reach the H&S objective at 434. However, the market has stalled out a bit just under 420. Last week's high at 417 1/2 is our first resistance now.

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

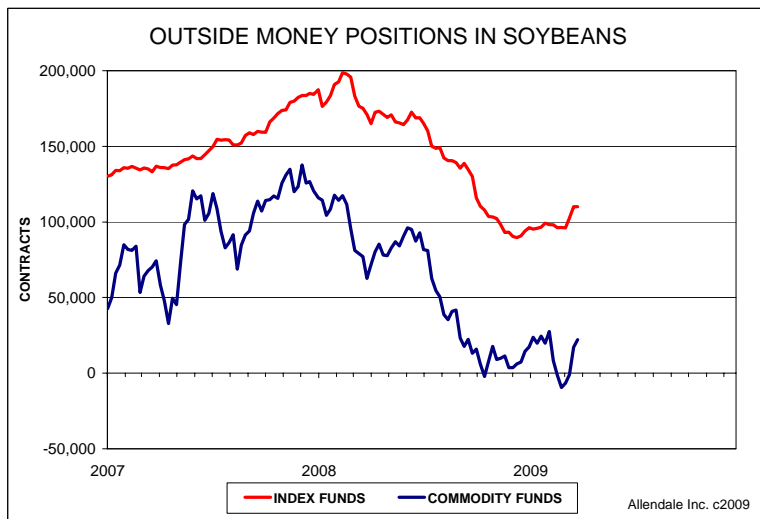
Vital Technical Indicator: the next projected major turn day is April 14.

Soybeans: On Thursday USDA will release the normal monthly update on supply and demand. The trade, and Allendale, both agree that ending stocks will likely tighten from last month's 185 million bushel forecast. Keep in mind these are targets for where old crop stocks will end as of the end of the marketing year on August 30. No new crop estimates will be released until May 12. Since Thursday's report is an update on old crop we will have bullish factors to think about this week. USDA may lower Argentina and Paraguay soybean production numbers. They may also recognize US soybean export sales

have been better than expected recently. In other words this will be a bullish report. We noted on Friday that current weather conditions are actually bearish to soybeans. If corn cannot get planted on time it will get planted to soybeans. However, the trade is likely to ignore that fact until we get halfway through planting. One trade to think about is the May/Nov spread. Tighter old crop supplies and bigger new crop supplies suggest that spread may exceed 100.

Outside Money: One other short term supportive factors is Outside Money. The Trading Funds have been buying soybeans for four weeks. The Index Funds have been buying for three weeks now. Both groups of Outside Money buying together is supportive.

Direction: Though we have met our upside objective based on our research it still appears higher trade is due into planting. With that in mind we are selling a May put which expires on the 24th. After planting we can certainly start looking at those new crop stocks which will almost double the old crop levels...Rich Nelson



Trade Idea(s):

- (04/02) Buy July 959, risk 947, objective 1027.
- (04/02) Sell July 1027 or 947 stop on a chart failure.

Option Strategy(s):

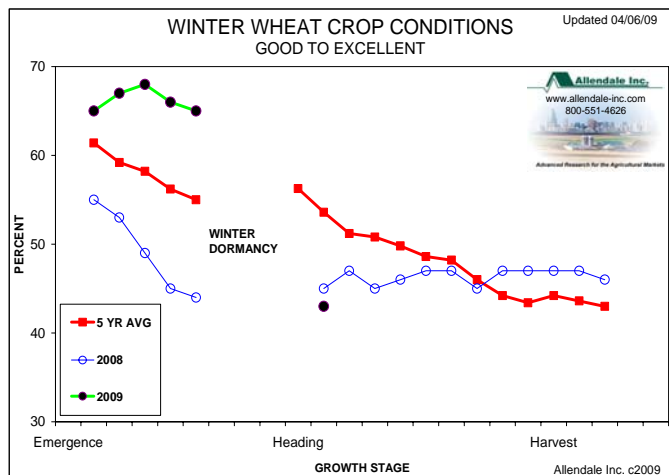
- (04/06) Sell May 970 put 18 or better, risk to 26, objective 0.

Soybean Technical Commentary:

The short-term trend is definitely bullish in the beans. Today's weaker close was probably a minor setback. We have a buy order near support at 980. There is not much resistance until the Feb high at 1029 3/4 now.

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 for soybeans is April 9, soybean meal is April 13, and soybean oil is April 8.



Wheat: Winter wheat, which makes up around 75% of all wheat grown in the US, is planted in the fall and harvested in the summer. USDA gives us weekly updates on crop from planting through initial growth through November. The reporting restarts in spring as the crop comes out of dormancy. The last rating, from back in November, was that winter wheat was rated 65% good to excellent. That was far above the normal rating of 44%! In other words we had a great crop before winter hit. A sharp drought hit Texas and Oklahoma since then. Today, USDA restarted their reporting and suggested the crop is 43% good to excellent.

That is a big 22% drop from fall to spring! Since USDA started this weekly reporting in 1986 there have only been two years where we had similar types of winter to spring declines, they were 1996 (-22%) and

1991 (-24%). Another bullish thing to note about this 43% rating...it is far below the normal pace for the first week of April which is now 54%. On paper, we have a lot of reasons to be bullish winter wheat. However, with wheat you never know what you have in the field until you harvest it. Last year winter wheat ended at 46% good excellent and we pulled in the second highest yielding crop! If you want to be bullish wheat we rather advise you to stay with spring wheat (Minneapolis Grain Exchange).

Outside Money: The other issue which keeps us from liking straight futures for buying wheat is that unlike corn or soybeans, the Outside Money is not buying wheat. Both the Trading and Index Funds have positions almost unchanged from a few weeks ago. Without a clear pattern here we would rather buy this market via a spread (long Minneapolis and short KC or CHI) than going long futures.

Direction: We are still wanting to enter the long Minneapolis wheat and short Chicago wheat on set backs in the spread. The setbacks could occur during this cold weather concern for the winter wheat. The fact still remains it is going to be awhile until the northern plains dries out. Contact us for updates and further details...Rich Nelson

Trade Idea(s):

- CBOT Wheat: (03/31) Stand aside.
- KCBT Wheat: (03/26) Stand aside.
- Minn Wheat: (03/25) Bought July MN/Sell July CHI at 78 1/2, risk at 74, objective 98. Closed 89 1/4.
- Minn Wheat: (04/01) Bought July 625, risk 625, objective 690. Closed 658 1/4.

Option Strategy(s):

- (02/04) Sold 1 May KC 500 put/sold 1 May KC 640 call 37, risk at 20 (profit protection), objective 0. Closed 10 5/8.

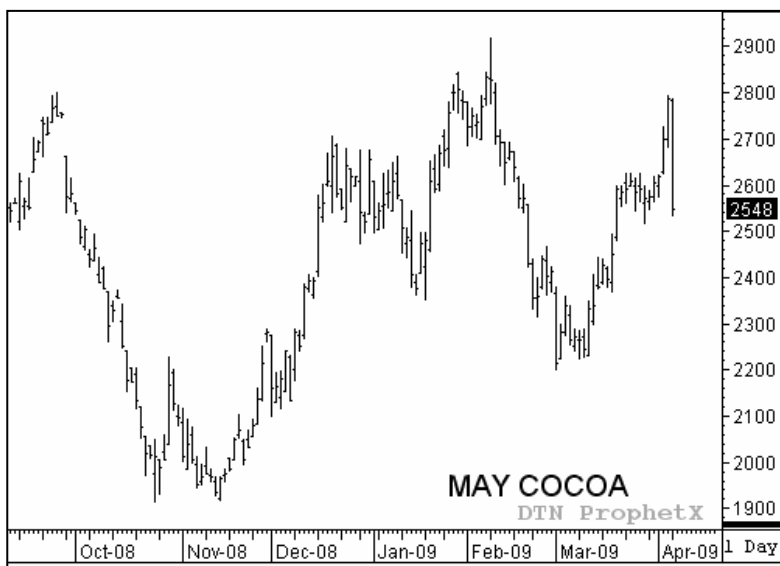
Wheat Technical Commentary:

KC wheat took out the March high today at 623 3/4, but could not close there. This market has also rallied sharply in a short time period, so today's weakness is not surprising either. We would wait another session before deciding on buying though.

[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 tomorrow.

Softs: Cocoa was the big leader to the downside today. May Cocoa was down 239 points at 2548. The biggest reason for this break is due to lower outside markets and overbought conditions in the market. Sugar, Cotton, and coffee were lower as well today. Sugar has pulled into our buy zone and we feel the 12 cent area is a good target to probe the long side. May Coffee hit last weeks highs and could see a nice pullback if we are not able to take it out early this week. July cotton is still overbought from last weeks run so be careful of taking a long position. We feel this market could retest the 20 day moving



around the 45.00 area. We are still long term bullish so we would be buyers if we see that pullback...Steve Georgy

Trade Recommendation(s):

- (Cotton) Buy Dec Cotton / Sell July Cotton at 4.20 cents , Risk 3.65, Objective 5.30.

Working Trade(s):

- Bought 1 May Sugar at 12.40, Risk 11.75 stop, Objective 13.75.
- Bought 1 May Cocoa @ 2630 today. We will risk the trade to 2540. The objective is 2820. (Risk hit today for -\$900)

Technical Commentary: Cocoa had a big day today to the downside. We took out the short term uptrend and landed next to the 200 day moving average. The last time Cocoa fell below the 200 day it stayed under it for 30 days. We have not been able to close below but if we do, cocoa could spend some time under the 200 day moving average. Stochastics are pointing lower right now and that could put more pressure on this market for the rest of the week or until the overbought conditions are taken care of.

Energies: May Crude Oil was \$1.46 lower at the close, settling at \$51.05. There seems to be a lack of fresh news in the market. We've continued to get bearish inventory data over the past few weeks and the market continues to take it in stride and buy the subsequent dips. Even though Crude Oil inventories are at the highest levels in nearly 20 years, the market is well off of its lows. It appears as if the bulls don't want to miss the bottom of the market, but bears still hold some weight due to the fundamentals. There is still quite a bit of carry or "contango" in the Crude Oil market which points directly to the underlying bearish fundamentals. We may just trade \$45-\$55 until we have a reason to go elsewhere. The day to day fluctuations are still for the most part following equities. With that in mind, we just failed at the 8000 level in the Dow and if equities continue to test 8000 and fail, we are likely prone to see equities pull back and bring commodity prices with it. We would like to buy dips with a defined risk due to the short term up trend, but selling sharp rallies also looks like a profitable venture. We will continue to monitor the contango; should the contango narrow as futures rally, this is the setup for a larger bull run...Brian J. Splitt

Closed Trade:

- Bought 1 May Crude (4/1) at \$47.75. Risk to \$50.55 hit today (4/6) for +\$2,800.

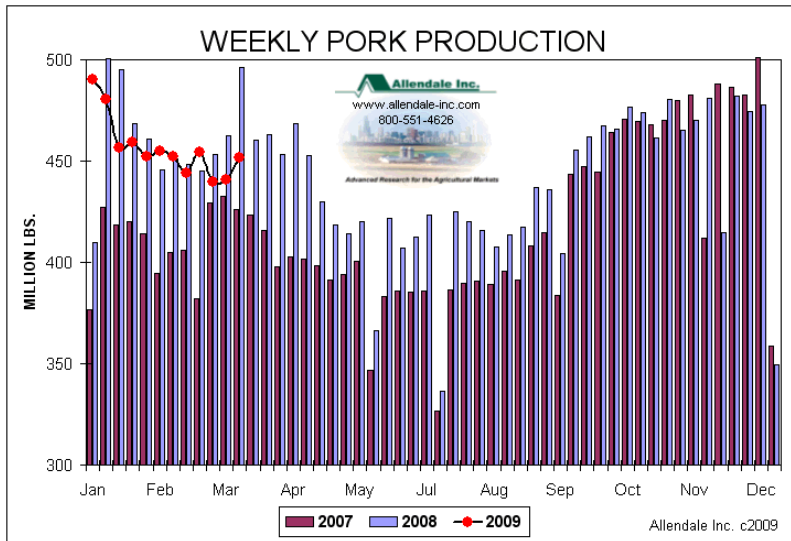
Trade Recommendation(s):

- (Conservative Recommendation) Buy 1 May Crude at \$45.45. Risk to \$41.45 with an objective of \$53.45.
- (Aggressive Recommendation) Buy 1 May Crude at \$47.75. Risk to \$44.25 with an objective of \$56.25.
- Buy 1 May Heating Oil and Sell 1 May RBOB at 9 cents premium RBOB. Risk to a close over 13 cents premium RBOB with an objective of even money or better.

Technical Commentary: The short term trend is up while the long term trend is sideways. The 100 Day M.A. once again provided buying support near today's lows. We would like to see another test of the 50 Day to enter a long position. Close-in support in May crude is \$50.60 with \$49.60, \$47.25, \$45.10, \$43.75 and \$40.50 providing support above the contract low of \$39.42. Close-in resistance is \$52.27 with \$54.07, \$54.95 and \$55.40 as resistance on the way to our breakout target of \$58.

Hogs: We noted this morning the period leading up to Easter is usually not bullish cash hogs. Packers run reduced kills from Friday through Monday and generally have producers waiting to fill the schedule from Tuesday on out the week after. That was also felt in today's wholesale pork trade where the cutout dropped \$1.20.

Outside Money: Friday's Commitment of Traders update brought conflicting news for hogs. The long-only Index Funds have been buying for four weeks in a row now. However, the Trading Funds have been selling for the same period. Without the Outside Money on board it confirms this market does not have solid direction.



Direction: We still believe this is a sideways market right now. We look for a bull market to develop towards the end of this month. The first week of May starts the trend of lower hog slaughters from spring into summer. For trading we have not started all out bullish positions such as straight futures yet. Instead we have started moderately bullish positions such as selling a July put and doing a bullish based spread. When futures are ready to show a bull market by breaking out of the sideways trend we will go long futures. For producers, we will leave summer marketings unheeded but are

interested in hedging for deferreds. ...Rich Nelson

Trade Idea(s):

- (04/01) Bought 1 Jun/Sell 1 Aug -1.25, risk to -2.50, objective +1.50. Closed -1.02.

Option Strategy(s):

- (03/10) Sold 1 Jul 68.00 put at 2.25, risk 1.00 from entry, objective 0. Closed 1.57.

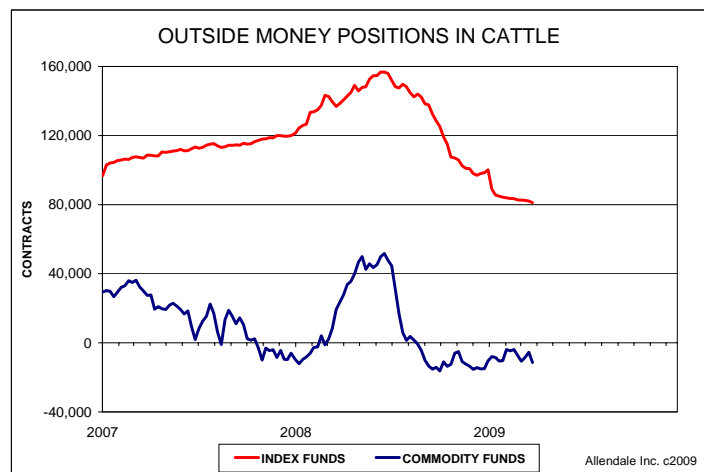
Lean Hog Technical Commentary:

Hogs pulled back today and closed below the 40 & 50 day moving averages. This was a bit disappointing for the bulls as they were hoping the downtrend might get tested soon after Friday's strong close.

[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 April 9.

Cattle: Last week's cash cattle trade up to \$85 has reinvigorated bulls. Some in the industry are talking of cash cattle hitting \$88 or so. The idea is supplies are tight right now, wholesale meat interests are buying in preparation for grilling demand, and the economy has bottomed. We would like to believe all three factors but just can't jump on the bandwagon yet. Though supplies are at their tightest for spring, after this week they will begin their normal build up into summer. See the Beef Production chart in the Special Reports section of our website. The second and third factors of the bull argument are just too hard to monitor. Therefore, the only thing we will follow on the demand side is wholesale beef prices. Last week, while cash cattle rallied, wholesale beef actually fell! Today's report showed a \$1.21 and 69 cent gain for choice and select. Two more days of that and we may start to believe the demand hopes.



Outside Money: While we are not quite convinced the fundamental picture has miraculously cleared up the Outside Money does not fix the situation either. Index Funds have been slowly liquidating their net long position since January. The Trading Funds have not changed their position at all since January. Outside Money is actually a slight seller since January.

Direction: We have a gap from 84.42 to 84.75 on the June contract which should be the target for this recent bull move. For now, we will assume the general sideways trend will hold and would therefore be sellers of higher up calls in those areas. Keep in mind there is also a gap from 81.90 to 82.30 which may be a downside target into early summer. We certainly do agree that inflation will hit and it will help cattle prices. We do not look for it to be a factor until 2010 or so. Let's keep this simple. Our plan for trading is not to sell this market unless a clear rejection type of day is seen (market closing lower after strong morning trade). This hype-based buying has more money than anyone has. For cattle feeders (hedging) we are unhedged and will remain so for now...Rich Nelson

Trade Idea(s):

- (04/06) Stand aside.

Option Strategy(s):

- (03/30) Sell 1 Jun 77.00 put at 1.50, risk 70 from entry, objective 0.

Cattle Technical Commentary:

Cattle continued to press higher today and closed above the 100 day MA for a second consecutive session. Overall this market remains in a sideways trading range between 80.00 and 86.00. The overhead gap would get filled up to 84.75.

[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 April 9 and for feeders is April 13.

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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