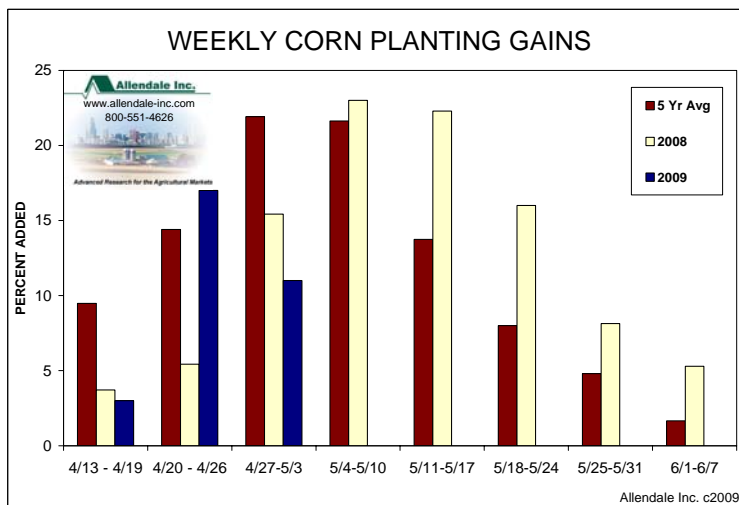


Allendale Wrap-Up for Business Day 05/04/09

Corn: The forecast has dried a little since last week. That did give corn prices a chance at lower trade. Also a little bearish for corn as we can suggest the Canadians finding swine flu in one hog farm, due to human to hog transmission, may renew some concerns about corn sales to Mexico. The last thing, we are still a little concerned about is this potential EPA change which may come out at any time. Will they revise the federal ethanol blending mandate due to some type of “indirect carbon emission cost”? We do not like the future of our prices to be decided by some magical algorithm that is likely too difficult to for us to dispute or even understand.



Corn Planting: Friday afternoon our informal survey of brokers in the office gave us a range of planting from 28% to 36%. That was right on target as USDA suggested the nation was 33% done. However, the trade was talking of numbers from 35% to 40% complete. Today’s report can therefore be considered slightly bullish for tonight’s trade. We are still far behind the five year average of 50%. The net result is we will remain clearly behind normal. Of interest: #1 corn state, Iowa, is 60% complete. #2 state, Illinois, is only 5%! Internet subscribers, see the [Special Reports](#) page for updated progress charts.

CMEGroup Corn Margins: In response to reduced volatility, speculative margins will fall from \$2,025 to \$1,620 per contract as of Thursday. Hedge margins will fall from \$1,500 to \$1,200 per contract.

Direction: Today’s reminder that corn planting is delayed and likely will remain delayed. The 6 to 10 day forecast still shows above normal precip for the central Midwest. All states but Nebraska and Ohio and included in that coverage. Until we can verify the crop will get planted this market may still hold up at current levels. It may take three weeks or so to decide that issue...Rich Nelson

Trade Idea(s):

- (04/30) Bought Dec 418, risk 409, objective 440. Closed 425 1/2.

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 43 1/2.
- (04/21) Sold Jul 350 put/sold Jul 430 call for 27 1/2, move risk to 36, objective 0. Closed 23 1/8.

Corn Technical Commentary:

After a strong close on Friday, corn failed to push through first resistance at 417 1/2 today. Instead the market backed off and could see further weakness if the moving averages get broken. The long-term trend is still bullish though.

Vital Technical Indicator: the next projected major turn day is May 15.

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

Soybeans: This morning the first question everyone probably asked was why were soybeans up over 20 cents overnight? Perhaps the question we should ask each day is why shouldn’t they be? Next week we will have the monthly supply/demand report. We simply cannot find any reason to expect old crop stocks to stay the same. We are doing great on exports and should expect another cut being made to Argentina soybean production. USDA last month had them at 39 mmt. Some estimates suggest that should be cut to

34 mmt. In layman's terms a 5 million metric tonne revision is a **large 184 million bushels**. That is why the trade is so hyped up on soybeans. In other news, we can note Celeres revised their estimate of Brazil soybean production up slightly to 58.16 mmt. USDA last month said 57. Even if USDA revises Brazil up it will be overshadowed by the Argentina issue.

Soybean Planting: Friday afternoon we put out a guess the nation would be 6% complete. That is exactly what USDA came out with this afternoon. It can be considered slightly supportive as the trade was talking of 7% to 10% complete. The five year average is 11% done. It is too early to be concerned about soybean planting.

CMEGroup Soybean Margins: In response to reduced volatility, speculative margins will fall from \$4,725 to \$4,050 per contract as of Thursday. Hedge margins will fall from \$3,500 to \$3,000 per contract.

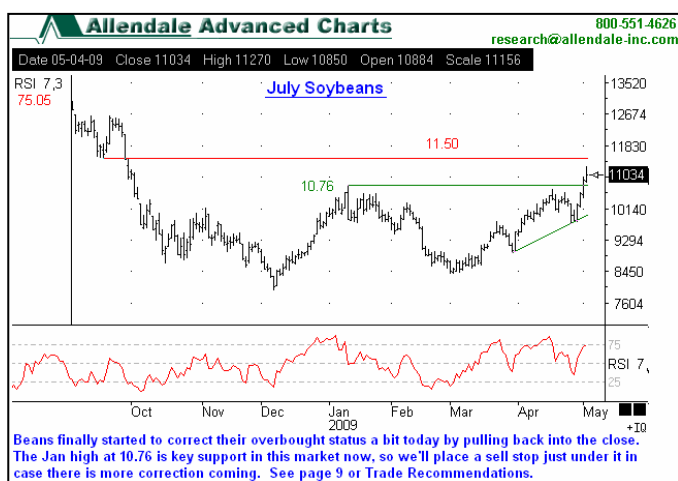
Direction: Today posted new highs for uptrend. It was interesting to see old crop hold onto some of the gains while the new crop contract close down 1/2 cent. While we have suggested a better case for a spring high for corn we still can not call it for soybeans. We still expect this market to hold onto this uptrend into mid planting. We do remain bearish for a long term move into harvest but for now, this remains an old crop driven market. Old crop is bullish for now...Rich Nelson

Trade Idea(s):

- (05/01) Bought July 1065, objective 1125 filled 05/04 for +\$3,000.

Option Strategy(s):

- (04/16) Bought July 980 put 40, risk to 20, objective 75. Closed 21 5/8.



Soybean Technical Commentary:

Beans finally started to correct their overbought status a bit today by pulling back into the close. The Jan high at 1076 is key support in this market now, so we'll place a sell stop just under it in case there is more correction coming.

Vital Technical Indicator: the next projected major turn day for soybeans is May 13, soybean meal is May 12, and soybean oil is May 11.

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

Wheat: A very valid question can be made about why wheat contracts rallied so well on Friday. There was no new bullish news to speak of. Joe Victor made a valid point in this afternoon's weekly meeting with the brokers that it may have had more to do with spreads than new fundamental information. It may be of interest to watch the spreads vs. corn or vs. soybeans.

Spring Wheat Planting: On Friday afternoon we estimated plantings would go from 15% last week to 21% complete. That was pretty close as USDA suggested the US was 23% done as of Sunday night. No trade guesses were ventured today. We would consider this supportive as the five year average is 59%. There is a planting problem and it will continue.

Winter Wheat Ratings: The good to excellent ratings advanced another 2% to 47% this week. That is the third week in a row of higher ratings. We are now very close to the five year average is 49%. Improving winter wheat conditions are considered bearish to Chicago and KC wheat.

CMEGroup Wheat Margins: In response to reduced volatility, speculative margins will fall from \$3,375 to \$2,700 per contract as of Thursday. Hedge margins will fall from \$2,500 to \$2,000 per contract.

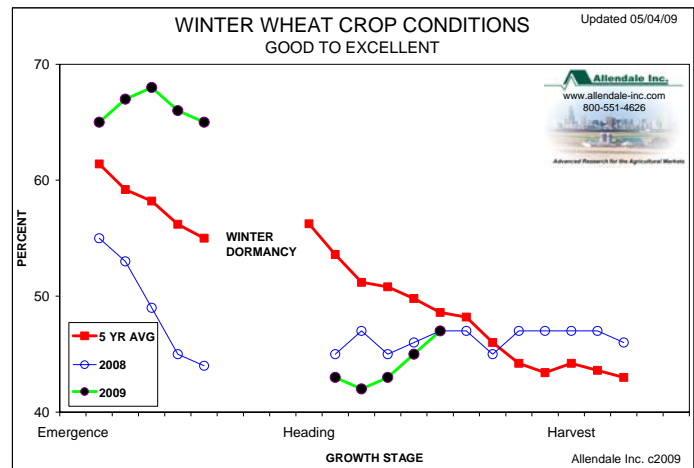
Direction: We are neutral to bearish wheat (Chicago and Kansas City) right now. The only bull type of trade would be spreading (buy the Minneapolis, sell Chicago). Today's crop progress reports were bullish MN and bearish CHI/KC...Rich Nelson

Trade Idea(s):

- CBOT Wheat: (05/01) Sold July 560, risk 574, objective 525. Closed 551.
- KCBT Wheat: (05/04) Sell July 614, risk 627, objective 582.
- Minn Wheat: (05/01) Bought July MN/Sell July CHI 118 1/2, risk to 102, objective 145. Closed 115 3/4.

Option Strategy(s):

- (05/04) Sell Jul KC 640 call 20, risk to 30, objective 0.



Wheat Technical Commentary:

Wheat also backed off quite a bit today and could test the moving averages again soon. Friday's rally seems to have been too much too soon for this market to hold. We'll stand aside for a day, but may look to get short soon.

Vital Technical Indicator: the next schedule projected major turn day in store for wheat is May 19.

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

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):

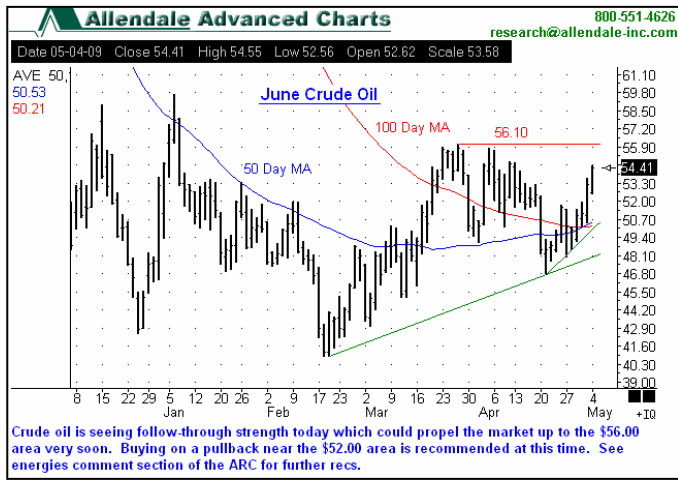
- Buy Dec Coffee at 116.70 stop, Risk 113.00 stop, Objective 123.00
- (Cotton) Buy Dec Cotton / Sell May Cotton at 4.80 cents, Risk 4.30, Objective 6.60

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: June Crude Oil settled \$1.27 higher today at \$54.47. Strength in equities and weakness in the Dollar Index definitely provided the basis for today's move, but we also had whispers of a potentially bullish story developing. China's monthly survey of purchase managers indicated a slight increase in energy demand from March to April. This doesn't appear to be anything to get too excited about, but we want to keep an eye on this to see if a trend develops. Seeing what Chinese demand can do to commodity markets (see a soybean or cotton chart), we could see a rather sharp rally in the energy sector if China continues to show indications of building demand. A draw or two in inventories wouldn't hurt...Brian J. Splitt



Working Trade:

- (Aggressive Recommendation) Bought 1 May Crude (4/20) at \$47.75. Rolled to June due to futures expiration. This equates to being long June at \$50.50. Risk to ***\$52.45*** in June with an objective of \$58.45. June Crude settled at \$54.47.

Trade Recommendation(s):

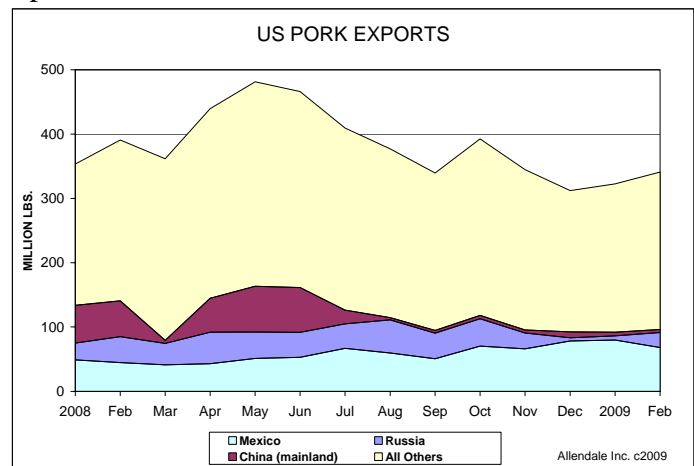
- (Conservative Recommendation) Buy 1 June Crude at \$45.75. Risk to \$41.45 with an objective of \$54.45.

Technical Commentary: The short term trend in

June Crude is up while the long term trend (over the past 6 months) is sideways. Today we closed above last week's high which is a positive way to start the week. If we can't find the momentum to push above today's high in the next session or two, we do appear primed for a test of \$50 again. The 50 and 100 Day M.A. have crossed which adds to the bullish short term technical picture. Close-in support in June crude is \$53.65 with \$51.40, \$50, \$49.05, \$48.18, \$47.50, \$46.10, \$45.08 and \$42.17 providing support above the contract low of \$40.85. The up trend from the contract lows will add to the support at \$48.18. Close-in resistance is today's high of \$54.55 with further technical resistance at \$54.85 and the high for the move of \$56.10. Our breakout target is \$58.

Hogs: When information comes "out of the blue" to a market we simply cannot forecast where "true value" is in the short term. The best we can do is monitor whether an event is still in the escalation/panic phase, the neutral phase, or in the "that's old news phase". We have to say hogs are still in the escalation/panic phase. Perhaps if Canada did not have the human to hog transmission then we could say we are entering the neutral phase of this news cycle. In the next few days/weeks we will hear of more of the normal swine flu findings. That should be expected. However, the key thing which is bearish about all this news is not its effect on US demand but on our exports.

It's The Exports: In the period after the December 2003 BSE finding here in the US there was a short term drop in US consumer beef demand. After that period, it recovered. When we went back in with our models and cranked away it became apparent the real impact was directly from the drop in beef exports. Avian Influenza/Avian Flu/Bird Flu had bounced around in 2004 on into early 2005. In the second half of 2005 it exploded and continued into first half 2006. It was not until it hit the buyers of our product that US chicken prices fell. Now, in the current situation we have Mexico reporting drop drops in their own pork



demand. Mexico is our number two buyer of pork and accounts for 20% of our exports. There are partial bans in place by mainland China and Russia. Those two combined were a smaller 8% of our pork exports in February. The US Meat Export Federation suggesting US pork exports are now down 8-12% since before swine flu exploded. That pork meat, which is not being exported, is left in the US. That depresses US pork prices and even beef and chicken breast prices. If/when we have reason to believe these unfair constraints US pork will be lifted then we can get bullish. It is the export situation driving this market.

Hog Producer Equity: We have seen a news wire story here or there on what this means to US producers. However, now that hog prices are falling, when they should be sharply rallying, we have to make revisions to expected hog production profits. Based on current hog, corn, and soymeal futures and

taking off appropriate things like basis and non-feed costs, we have losses laid out for hog production through the end of the year. If hog prices simply do not return to true value, the production side of the industry is beyond “a tough spot”. In the other hard liquidation cycles (1994 and 1998) the large players bought out the worst large players (Smithfield buying Murphy-Brown, etc) and worked on expanding from the room left by independents. In this liquidation cycle all large players that we know of are in a weak position. We have never liked to play the “doom and gloom” card to get people’s attention but unless reason returns to this market, we are in for a second liquidation starting by fall. This is not simply a “pork-only” issue. Hogs consume roughly 25% of corn used for feed which make it 11% of all corn demand. Hogs consume 25% of all soybean meal used for livestock feed which makes it 20% of all soybean meal use. What do you think that means for feed use numbers for new crop corn and soybeans?

Direction: There is no solid way of forecasting prices right now. We will tell you with all confidence this market is undervalued and at some point reason will return and unfair limitations on US pork by Russia and China will be lifted. Also, Mexico’s public will slowly return to pork in the coming weeks. However, in the short term, this market is not finished taking care of new business (H1N1). This afternoon’s pork cutout dropped another \$1.01...Rich Nelson

Trade Idea(s):

- (04/30) Stand aside.

Option Strategy(s):

- (04/30) Stand aside.

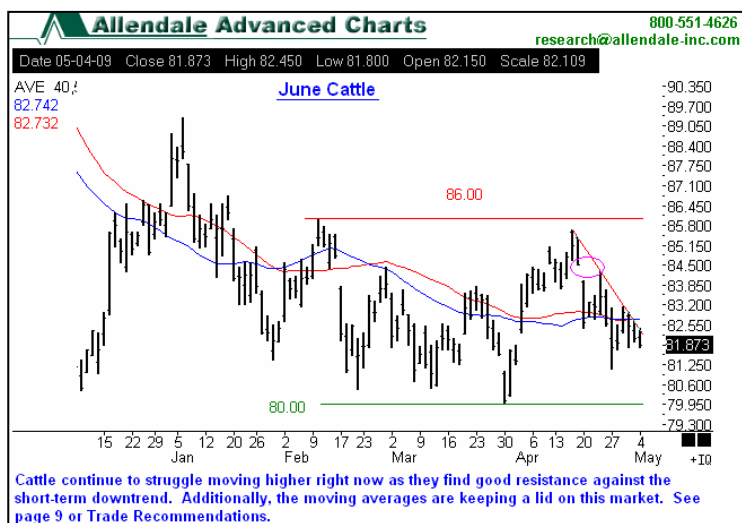
Lean Hog Technical Commentary:

Hogs posted another new contract low today, which keeps this market in a very oversold status. We would still recommend selling some June puts while looking to add long futures once the panic selling in this market subsides.

Vital Technical Indicator: Next projected major turn day for lean hogs is May 6.

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

Cattle: Last week’s sales totals came in around 40,000 head less than expected. Feedlots resisted the lower prices (\$86) and decided to gamble this week. Though official showlists only show a small bump up this week we have to agree with much of the trade they are actually higher than advertised. Extra cattle available this week, even more coming in the next couple of weeks, and extra pork left in the US market are all reasons why we expect cash cattle to continue breaking into summer. Our target for June futures is \$80. ...Rich Nelson



Trade Idea(s):

- (04/28) Sell Jun 83.70, risk 84.90, objective 81.25.

Option Strategy(s):

- (04/28) Sold Aug 85.00 call at 1.90, risk to 2.55, objective 0. Closed 1.77.

Cattle Technical Commentary:

Cattle continue to struggle moving higher right now as they find good resistance against the short-term downtrend. Additionally, the moving averages are keeping a lid on this market.

Vital Technical Indicator: Next projected major turn day for live cattle is May 14 and

for feeders is May 13.

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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