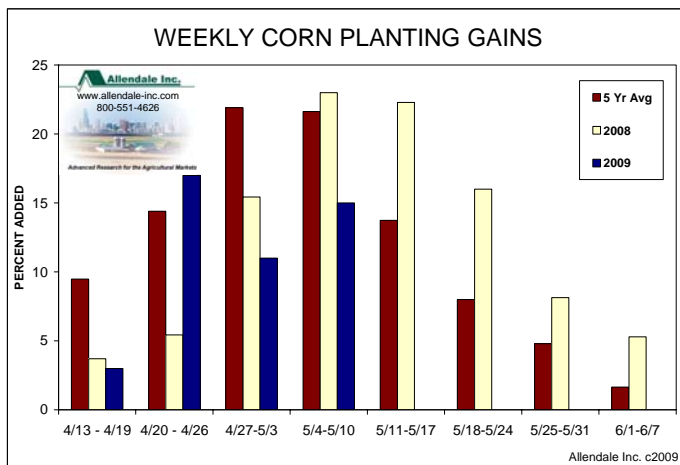


Allendale Wrap-Up for Business Day 05/11/09

Corn: There were many conflicting factors to note today. While prices started lower, in sympathy with soybeans, prices did not stay down. Bears argue next week's forecast will bring opportunity to advance planting. Bulls argue the right-now planting pace is still too slow. Also, we have crude oil supporting corn right now. The last bullish thing we have to note is Friday's Commitment of Traders report showed Trading Funds bought 46,754 contracts last week and Index Funds bought 8,489 contracts.



Tomorrow: Last week we completed a

webinar giving you a preview of what to expect on tomorrow's big monthly supply/demand report. The focus for corn will be on the 2009/10 numbers that we get to see. How much of a drop in ending stocks will we see?

Energy Prices - Corn: Friday afternoon we talked a bit about the crude oil-ethanol-corn price relationship and noted how ethanol price changes were also key turning points in corn prices. Tonight we have placed the well-known Crude Oil vs. Corn chart on the Special Reports page just a click away. See it for yourself.

Corn Planting: 48% of the corn crop has been planted as of Sunday night. That is still a bit behind the five year average of 71% at this time. This 48% complete is exactly the same place we were at last year. Overall this should have little impact on tonight's prices as the trade was looking for 45% to 50%. The eastern cornbelt states running significantly behind are...Illinois 11%, Indiana 11%, Ohio 22%, and Michigan 18%. That is in stark contrast with the guys leading the charge...Iowa 81%, Nebraska 78%, and Minnesota 81%.

Direction: Corn is starting its third week of rallying. We have more bullish things to speak on than bearish right now. For trading we will follow the crowd and buy until the market tells us otherwise. For hedging we have no problem holding our limited hedge position (using options). This position allows us to benefit from higher prices...Rich Nelson

Trade Idea(s):

- (05/08) Buy Jul 406, risk 392, objective 434.

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 36 3/4.
- (04/21) Sold Jul 350 put/sold Jul 430 call for 27 1/2, risk at 36, objective 0. Closed 25.

Corn Technical Commentary:

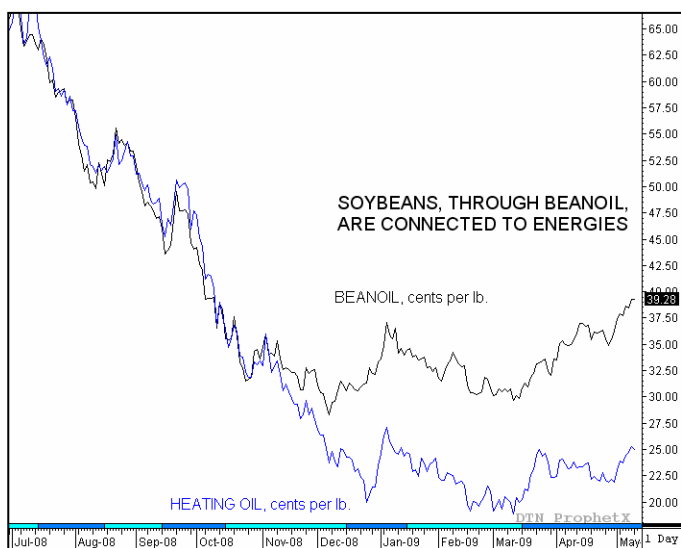
Corn was able to close above 417 1/2 for a second session today, which could keep the market on the upward swing now. There is still more resistance ahead though at 423 1/2 and 428. We will stand aside for tomorrow.

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: Though the pit trade started out a bit lower this morning it did not hold. There were concerns that China's H1N1 finding over the weekend would bring lower demand for pork, the key protein in the country. That concern carried over into ideas of lower demand for soybean meal and therefore soybean

imports. They had 5 million tonnes of soybean imports in May and are scheduled for 4 mmt in June. We are not too concerned about this story for a few reasons. 1) We have heard many times in the past weeks/months that China was ready to abandon or cancel US soybean sales. Time after time they kept on buying. 2) Even if China stops buying old crop soybeans they are still ahead of USDA's pace. 3) They should stop buying anyway. China should have stopped buying US soybeans four to eight weeks ago. Anything we are getting right now is just butter on the top.



Energy Prices – Soybean Oil: Just as with the corn we are still watching the energies for soybean oil direction. That also carries into soybean prices as well. We will note this heating oil/bean oil relationship is still strong even though soybean oil used for biodiesel production has dropped dramatically. If you want to see a chart of this relationship simply call us and we will email or snail mail it to you.

Tomorrow: Everyone is expecting USDA to respect the strong demand posted in the past few weeks. Old crop stocks could fall to the lowest level since 2003/04 112 million bushels. Stocks/use, using our estimates, will come to 4.5%. That is right on 2003/04's. What happened in the old crop timeframe after the 2003 harvest? July

2004 futures officially peaked on April 5. However, they did not clearly break out of that bullish range until May 12. **In other words, the exact same report we have scheduled tomorrow is what broke prices in 2003/04.** Also keep in mind, we still feel USDA Planting Intention numbers are too low. We need to add in the correct amount of acreage which will increase the new crop stocks.

Soybean Planting: The nation is now 14% planted as of Sunday night. That is a little behind the 25% normal pace. Last year at this time the nation was 11% done. This may be considered a little bullish as the trade was expected 15 to 20% to be done. We will clarify that this is still a corn planting time. We cannot say the late soybean pace is a concern yet.

Direction: For trading we are long this market and simply following the trend and recent market focus (oil crop demand). For hedging we have a moderate amount locked up with options that locks in a 940 floor and gives farmers complete upside benefit until 1100. That is a great deal... Rich Nelson

Trade Idea(s):

- (05/07) Bought July 1103, risk and reverse at 1080, objective 1141. Closed 1116.

Option Strategy(s):

- (05/07) Stand aside.

Soybean Technical Commentary:

Beans are still overbought and remain in a short-term sideways range above support at 1076. This might be a pause in the uptrend, or a possible top forming. We will stand aside here as well.

Vital Technical Indicator: the next projected major turn day for soybeans is May 13, soybean meal is tomorrow, and soybean oil is May 20.

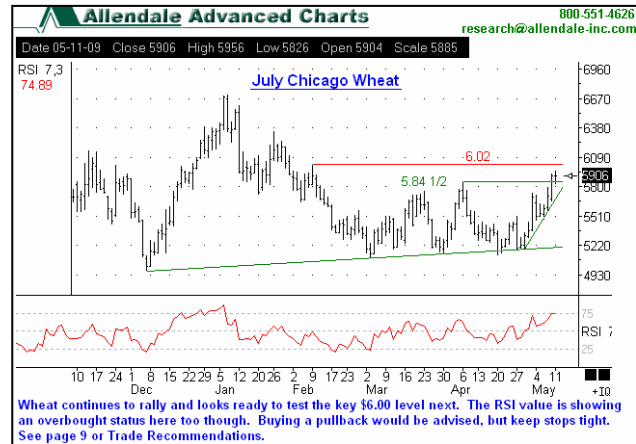
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Wheat: Tomorrow's report gives us the first look at how much damage winter wheat may have sustained this year. We had drought, a couple freezes, and good off and on rains since dormancy ended. With all of those factors in mind the trade is simply not sure what to expect. We have the guesses posted on the Grain Fundamentals 1 page of this report. Even with a drop in winter wheat production we still do

not like getting bullish Chicago or Kansas City wheat. For trading we were stopped out of short positions last week and will wait for tomorrow's report...Rich Nelson

Spring Wheat Planting: 35% of spring wheat has been planted. Normally we are 78% at this time. There were no estimates given out by the trade for comparison but we would call this slightly bullish. This would be more bullish if this week's weather showed a little more precip for the northern plains.

Winter Wheat Ratings: The USDA survey suggested winter wheat conditions fell 1% to 46% good to excellent. We would guess as the crop is developing some of the problems with drought and freeze are showing a little more clearly. This information is slightly supportive. We do not consider it a significant problem just yet though. We are now very close to the 48% good to excellent average for this week. Also with wheat, you simply do not know what you have until harvest.



Trade Idea(s):

- CBOT Wheat: (05/11) Stand aside.
- KCBT Wheat: (05/11) Stand aside.
- Minn Wheat: (05/01) Bought July MN/Sell July CHI 118 1/2, risk to 102, objective 145. Closed 106 3/4.

Option Strategy(s):

- (05/11) Stand aside.

Wheat Technical Commentary:

Wheat continues to rally and looks ready to test the key 600 level next. The RSI value is showing an overbought status here too though. Buying a pullback would be advised, but keep stops tight.

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

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Softs: Sugar closes strong again today to start the week strong. July sugar is almost to last year's highs for the contract. September 3rd hold the contract high at 15.99 and tested it again on October 27th at 15.90. Sugar is much overbought and could find profit taking now that we are back to these levels. The July contract hit a high today 15.69 and closed at 15.61. We are going to take a shot at the short side of the market but risk just above the contract highs. Cocoa found resistance today at Friday's highs and couldn't penetrate through. The July contract was down 37 points and looking to continue its negative tone. If we take out today's lows at 2423 the next downside target this week will be 2316. Last week cocoa tried to rally and broke the downtrend we have been in for a few weeks. After today's performance we feel cocoa just satisfied the oversold condition and could try to retest the lows of 2302 that was made this month. Steve Georgy

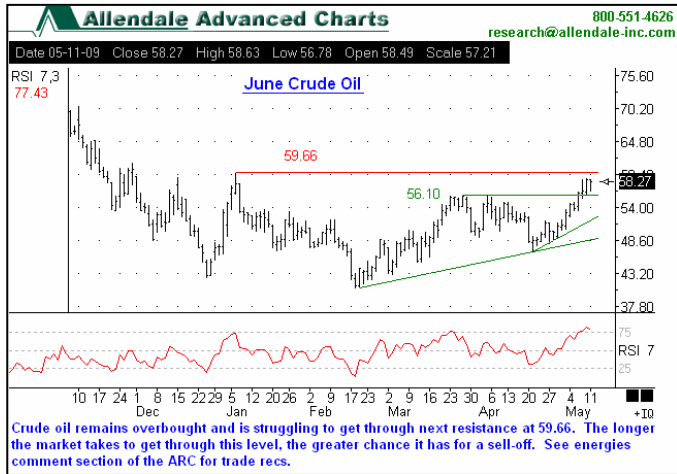
Trade Recommendation(s):

- Buy July Cotton 56.50, Risk 55.50, Objective 60.50
- Buy July Coffee 122.40, Risk 118.95, Objective 1127.00
- Sell July Sugar 15.85, Risk 16.10, Objective 14.90

Working Trade(s):

- None

Technical Commentary: Sugar has performed very strong in the past few weeks but has a big task in the next few days. Sugar has strong resistance just above the market at 15.99. That is the contract high for July and a very good reason to see some profit taking from the longs. We are looking at selling on strength and risking just above the highs.



Energies: June Crude Oil was down \$0.13 at the close settling at \$58.50. Continuing to adhere to the recent relationships in the market that we've gotten used to trading, pressure was added to the energy market from weakness in equities and a gain in the Dollar Index versus the Euro. With the equity and energy markets sitting in overbought status after our recent rally, it is reasonable to expect a bout of profit taking in both that could cause a decent setback to retest support. We will continue to look for opportunities to buy as this market has not shown much desire to go lower...Brian J. Split

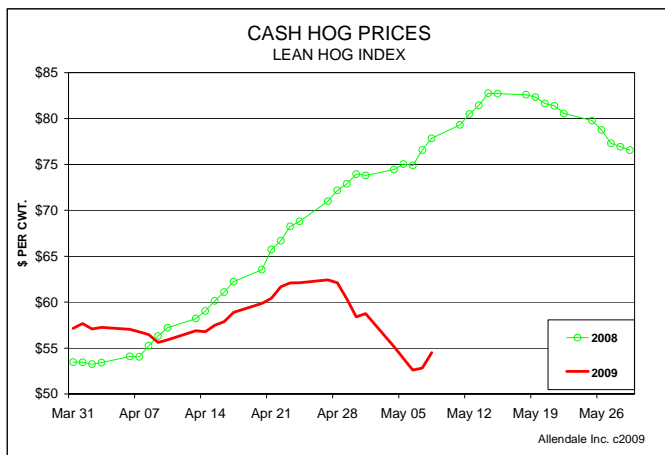
Closed Trade:

- (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. Objective of \$58.45 hit (5/7) for **+\$7,950.**

Trade Recommendation(s):

- (Conservative Recommendation) Buy 1 July Crude at \$52.55. Risk to \$48.95 with an objective of \$59.45.
- (Aggressive Recommendation) Buy 1 July Crude at \$55.55. Risk to \$51.45 with an objective of \$63.95.

Technical Commentary: The short term trend in June Crude is up while the long term trend (over the past 6 months) is sideways. Close-in support in June crude is \$57.95 with further support just below at \$57.30, \$55.70, \$54.85, \$53.50, and \$51.40 provide support above psychological \$50 support. Close-in resistance is last week's high of \$58.75 with \$59.70, \$60.72, \$62.30, and \$65 as further resistance.



Hogs: In this afternoon's meeting with the brokers we pointed out how wholesale pork prices were pushing higher and cash hog prices were following. Wholesale pork generally changes direction then a few days later cash hogs follow. The good news is that wholesale pork bottomed. The news that is a little troubling is this afternoon wholesale pork closed down 32 cents. Futures are implying cash hogs will rebound slowly into summer and we have to say that appears to be about right. Cash hogs are now 30% under last year at this time. Wholesale pork prices are 25% lower. Those are ridiculous opportunities. However, it appears this market still

has some effect left of H1N1. Today's case tally in the US is 2,600. This weekend we confirmed another death to bring our tally to 3. The last thing to note is so far, aside from Equador, no export buyer who put on partial bans of US pork has lifted those bans.

Direction: We certainly feel this market is undervalued. However, futures may slow their gains this week...Rich Nelson

Trade Idea(s):

- (05/11) Buy Jun 66.50, risk 64.80, objective 70.40.

Option Strategy(s):

- (05/07) Sell Jun 71 call/sell Jun 62 put for 1.85, risk to 2.75, objective 0.

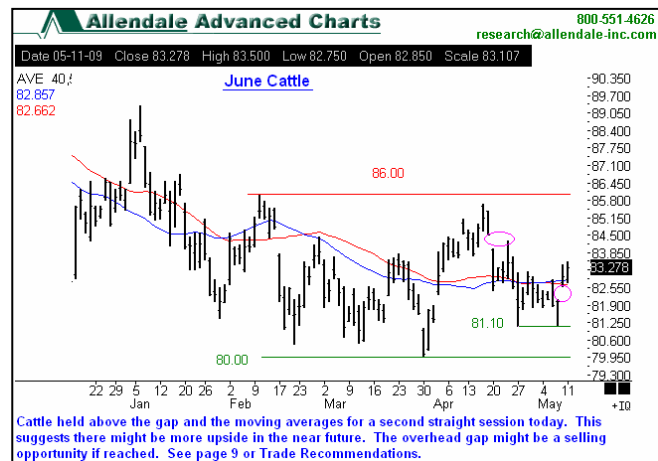
Lean Hog Technical Commentary:

Hogs traded in nearly the same range as last Friday, but settled weaker. We may now see the first lower gap get filled before the market heads higher again. This could be a buying opportunity, but keep a tight stop in place.

Vital Technical Indicator: Next projected major turn day for lean hogs is May 20.

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

Cattle: There have been two days of stronger prices in the cattle. That can be attributed to Friday's good employment report. We would expect that story to support prices into Wednesday. Also, boxed beef closed higher today. That will have the trade talking of \$1 higher cash cattle action may be seen later this week. There is a gap on the June from 84.30 to 84.50 which could be a short term objective. Making this clear...we will hold our longer term bearish expectation for this market into summer. The Easter holiday peak in prices was \$88 and will likely fall down to \$78 or so into summer.



However...we must respect the fact the market just got new information, it was supportive, and will have to trade it. There is nothing wrong with prices moving higher in the short term. We are longer term bearish as cattle slaughter will pick up for the next two to three weeks and it will stay at that high level through July. Once we get into June grilling demand starts to back off as well...Rich Nelson

Trade Idea(s):

- (05/08) Sold Jun 82.75, risk 83.90, objective 81.00. Closed 82.97.

Option Strategy(s):

- (04/28) Sold Aug 85.00 call 1.90, risk to 2.55, objective 0. Closed 2.27.

Cattle Technical Commentary:

Cattle held above the gap and the moving averages for a second straight session today. This suggests there might be more upside in the near future. The overhead gap might be a selling opportunity if reached.

Vital Technical Indicator: Next projected major turn day for live cattle is May 14 and for feeders is May 13.

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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

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