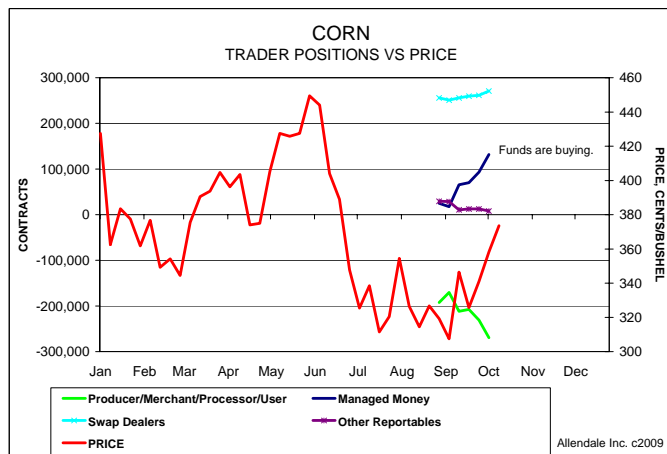


Allendale Wrap-Up for Business Day 10/12/09



Corn: More delayed harvest and frost talk was the fundamental news that helped lead corn higher today. Right now we are looking at a potential loss from frost standing at 100 million bushels. Funds were not quite as active today which was evident once corn opened higher and held on to those gains. This was a day guided more by fundamentals than fund buying. That was until corn broke the resistance of \$3.76. Just before doing so we were given a GFS model forecast calling for a drier outlook late this week and early next week. What has been behind this rally more than anything lately has been speculative fund buying. Harvest delays

have been one talked about reason for the rally just as planting delays gave us a rally. We are not being told anything about disappointing yields in corn just like we knew the corn crop would be put in the ground. Carryout for corn has barely changed in two months so there is not solid and fundamental news to back up a rally to this extent. During the summer months corn had divorced itself from the outside markets as well as fund influence. Just within the last week the correlation can be seen again. What this means is that even though the fundamental numbers would suggest that corn needs to setback, we must keep an open mind to the thought that funds and other speculative buyers are in control. As long as this is true we will stand aside from being bearish for now. We all saw what happened in the spring when the funds left the market so we want to use that as help for future direction. Right now the spread between current December and December 10 is narrowing which is telling us to get the beginnings of our December 10 hedges done now. Funds are macro economic so we need to watch the dollar for near term direction. If they start to exit the market we need to be aggressive sellers and not be caught watching as could have happened in the spring.

Direction: Another move higher and another major resistance level has been taken out. Now 376 is out leaving the next resistance found around 410. This allows for speculative buying to continue this move higher if they so choose. Keep track of the dollar for fund and spec buying direction but also keep in mind we don't have the fundamental numbers to back this up should they leave. Our potential pullback once fundamentals take over is around 330...Ryan Ettner

Trade Idea(s):

- (10/12) Sold 375, risk 387, objective 365. Closed 381 1/4.

Option Strategy(s):

- (10/07) Stand aside.

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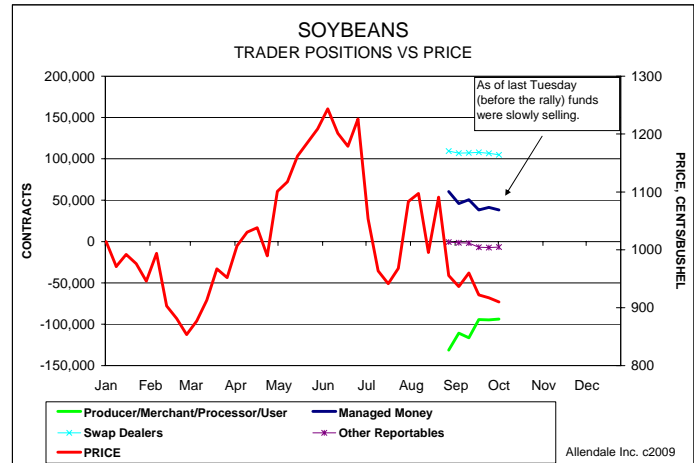
Corn Technical Commentary: Even though corn was able to punch through 370 during the session today, the close was well below this level. It was also below the 100 day MA, which may prove bearish for Monday's trade.

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

Soybeans: Snow is not what trade needed to see today. We were concerned about rains slowing harvest and there is not much that slows a bean harvest more than snow. As with corn the beans were directed more by fundamentals today than spec buying which is not to say there were not here again. Beans started this rally on the day massive buying showed up in corn and the beans followed along. This was spec and

fund buying. Since then we were given poor forecasts and continue to get poor weather. Today we were finally given a better outlook for the end of the week as well as the start of next week. That forecast could be used as a good reason for a turnaround Tuesday. Until we see a good setback this is another market we are standing aside on for now choosing not to stand in front of spec buying that also has short term fundamental weather backing it up. Yields remain strong from when we last heard numbers from the combine. One producer said today that his beans still look like they will yield well, even if they currently have snow on them. Beans running this much higher in this little time do not give us a feeling that it can be sustained. Right now cash is backing up this futures move with basis not widening much. There is little doubt that basis levels will quickly turn worse once combines start moving but will futures follow? If they don't right away keep in mind that they may have to before too long.

Direction: Rain is slowly being removed from the near term forecast but for now the snow is on the ground and specs are buying beans quickly. With very little carry in the bean market it could still be best to sell the cash and lift some hedges. Again this is not a suggestion to get out of all hedges but when given a great basis it is not an opportunity to be passed on. This quick move higher does not give us confidence to buy but we are not sure we have found the end of it either...Ryan Ettner



Trade Idea(s):

- (10/08) Stand aside.

Option Strategy(s):

- (06/09) Sold **Nov 1240** call/sold **Nov 800** put 62 1/4, risk to 19, objective 0. Closed 1 3/4.
- (06/16) Sold **Nov 1220** call 45, risk to 11, objective 0. Closed 1 3/4.
- (10/08) Bought **Mar 920** put, sold 1020 call, sold 800 put for 10. Producer idea, there is margin required with this, but you are in a position to make 120/bu if the market breaks while leaving a 100/bu upside open before you are locked into a short.

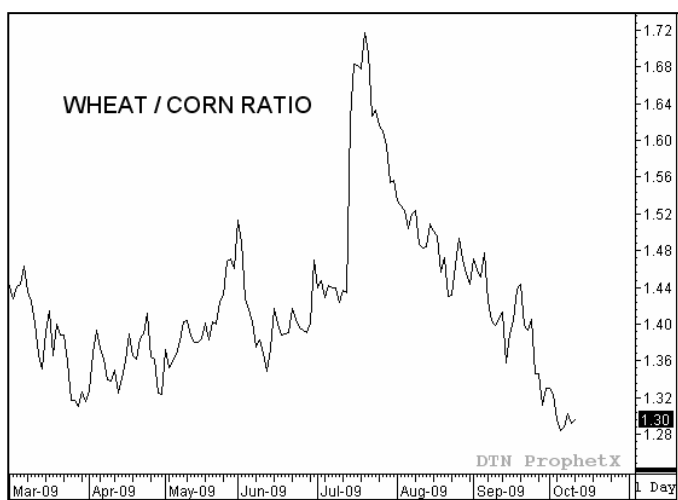
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Soybean Technical Commentary: Beans closed very strong for the week and look to be headed for the 100 day MA and resistance at 977 3/4 for next week. A close above this level could spark additional buying and make this chart look bullish.

Vital Technical Indicator: the next projected major turn day for soybeans is October 19, soybean meal is October 20, and soybean oil is October 28.

Wheat: It was the first day where we actually saw bullish fundamental news with France lowering their 2009 production estimate by 1 million tonnes. How much did this smaller piece of news have to do with another bounce higher? Very little but we did mention we would provide bullish news if we saw any. As with the row crops wheat is another slave to speculative buying. When funds see the dollar move lower and look for commodities that are lower priced there is no way they can overlook wheat. To hedge against inflation wheat must appear to be the best buy among the grains. This market is still taking the back seat to the other grains and will continue to do so until we get something better than one fundamental story to back up a move higher.

Direction: Next resistance to be found in wheat should specs continue to buy would be found at \$516 1/2. We have traded the short side of this market but for now could be better suggested to stand aside...Ryan Ettner



Trade Idea(s):

- Chicago Wheat: (10/12) Sold **Dec 484**, risk 496 filled 10/12 for -\$600.
- KCBT Wheat: (10/12) Stand aside.
- MN Wheat: (10/12) Stand aside.

Option Strategy(s):

- (09/10) Sold **Dec Chi 500** call 11 3/4, risk to 15 filled 10/12 for -\$162.50.
- (09/29) Sold **Mar KC 520** call 24 3/4, risk 32 filled 10/12 -\$362.50.

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Wheat Technical Commentary: Spring wheat posted a small inside bar on the chart today, still struggling with overhead resistance at 512 3/4 This sideways trend over the past month still might be some long-term bottoming action though.

Vital Technical Indicator: the next schedule projected major turn day in store for wheat is October 16.

Softs: Sugar: Sugar rebounded slightly today with a gain of 36 points in the March contract. The fundamentals are still friendly but the technicals feel we can still see a lower push short term. 20 cents will be a very pivotal point if we break below support. That will open the door to 18 cents very quickly. We are staying on the sideline right now and are looking for a shift in trend before taking any further action.

Cocoa: December cocoa finally had seen profit taking with harvest in full swing in the major growing regions. Today's market action could try to test the month's lows at 2967 and has really put the bears in the driver's seat for the next few days. We are trying to sell rallies at this point and looking for the market to move lower throughout the week.

Cotton: December cotton is getting close to our profit objective and we feel this could be good resistance in the short term. Cotton is following most of the commodities higher with a weaker dollar and strong energies. This could continue so watch the outside markets for general direction in the next few days. If we get to last months highs we will be taking a short position and look for profit taking due to the range that we are in....Steve Georgy

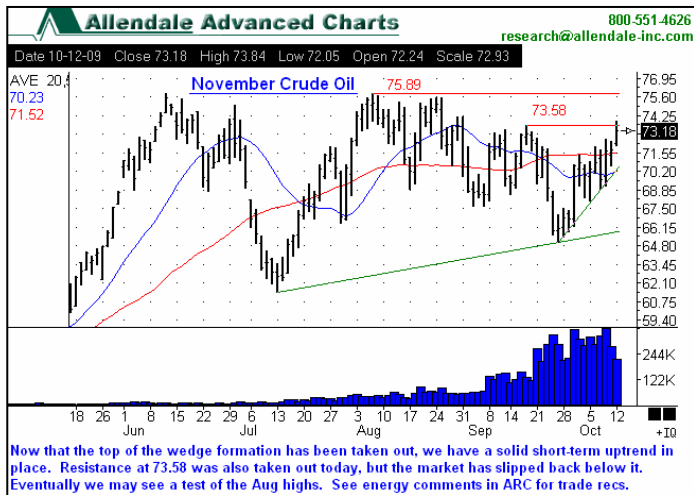
Trade Recommendation(s):

- Sell **December Cocoa** at 3260, risk 3335, objective 3160, closed at 3068
- Sell **December Cotton** at 65.20, risk 66.20, objective 62.00, closed at 64.68

Working Trade(s):

- (9/30) Bought **December Cotton** at 61.20, risk 59.80, objective 64.95, Closed at 64.68
- (9/18) Sold **November Lumber** at 186.00, Risk 177.00, Objective 156.00 closed at 163.60

Technical Commentary: Lumber rallied today as the dollar fell and stronger energies rallied commodities. It looks like the 20 day moving average should be good resistance tomorrow but the charts are looking friendlier. We remain short right now but have moved our stop to a profitable area if we see continued strength. Please call with any questions 800-262-7538.



Energies: November Crude settled \$1.50 higher today at \$73.27. We have had three consecutive sessions of higher trade after getting actual hard data last Wednesday suggesting that demand is still an issue. It doesn't feel like S&D fundamentals really move the market much at this point, unless it's Wednesday morning when inventory data is released. Even then, the weakness we saw last Wednesday off of the bearish inventory numbers were taken back the very next day on "hopes of economic recovery." What seems to be the driving force behind general market direction is the weakness in the U.S.

Dollar and optimism over corporate earnings. It may be possible that the market has found a range from \$65-\$75 that keeps producers happy and keeps consumers from complaining...Brian Splitt

Closed Trade:

- (9/28) - Sold **November Crude Oil** (9/30) at \$69.45. Risk to \$72.75 hit (10/12) for -\$3300.

Technical Commentary: Crude made a new monthly high today which is friendly. The next monthly high to take out for the bulls would be the high for the move at \$75.89 which would be a big technical breakout. The market is overbought, but a close above \$73.58 will most likely bring more investment money into Crude. Close-in support is last week's high of \$72.55. \$72, \$70.95, \$70, \$68.75, 67.65, \$66.40 and \$65 provide further support. Close-in resistance will be \$73.60; \$75 and \$75.89 will add to resistance before the next potential breakout.

Copper has seen a very small trading range today, which makes for the second inside bar on the chart in the last 2 sessions. Could the bulls be running out of steam? We are still long from 283.00.

Lean Hogs: Cash hogs traded mixed last week and are starting this week on a mixed to lower note. Wholesale pork closed down last week and closed up 29 cents this afternoon. We still do not think last week's bull run on December futures was warranted (it is now at a premium to cash hogs) but we will not stand in front of this market with sell orders right now. We'll let the funds have control for the short term and will stand aside for now. We are bearish December and will look for a sell point in the next week or two. The mid 2010 and beyond outlook remains bullish. Liquidation has picked up in the past four weeks. In the weeks before September, most liquidation was actually Canadian sows and not US numbers...Rich Nelson

Trade Idea(s):

- (10/06) Stand aside.

Option Strategy(s):

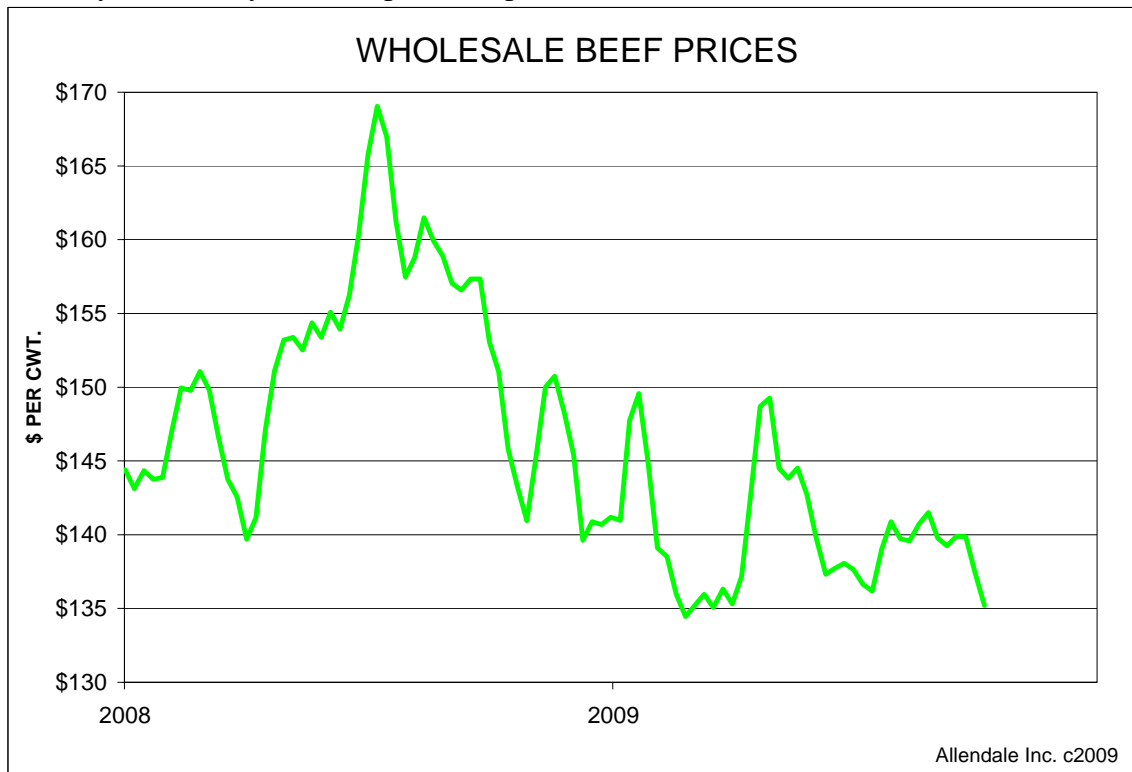
- (08/18) Sold **Oct 42 put** 2.50, risk to 2.85, objective 0. Closed .02.

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Lean Hog Technical Commentary: Hogs are bumping up against the early Aug high at 54.10 right now. The 100 day MA is also in this area, but today's close was just above it. We will stand aside on futures to see if this level holds.

Vital Technical Indicator: Next projected major turn day for lean hogs is October 24.

Live Cattle: As noted this morning there's still a tremendous amount of baggage this market has left over from last week (deliveries, cash cattle, etc.). You simply cannot argue with this market and the clear downtrend prices are locked in. On that mindset we sold today against chart resistance. In the short term we are simply following the crowd. We still contend this market will make a significant price low around this time. We may not have a tremendous rally out of the bat but it's not out of bounds to say economic recovery will slowly lift this specter of poor demand off our backs.



Allendale internet subscribers will see a chart showing wholesale beef prices in this commentary. Essentially from fall 2008 beef prices went into a tailspin and bottomed in March around \$134/cwt. Beef prices rallied off that point but are now right back at it at \$135. Bottom line here...assuming the economy is in the recovery phase, and assuming unemployment will top out soon, we may see a significant multi-year low in beef prices put in soon...Rich Nelson

Trade Ideas(s):

- (10/06) Sold **Dec 85.40**, risk 86.50, objective 84.00. Closed 85.30.

Option Strategy(s):

- (10/05) Stand aside.

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Cattle Technical Commentary: Cattle hit solid resistance at the downtrend today, which is just above the 20 day MA. If the downtrend gets taken out, we may see a test of the 40 day MA next near 86.27. We remain short from 85.00.

Vital Technical Indicator: Next projected major turn day for live cattle is October 27 and for feeders is October 14.

[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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