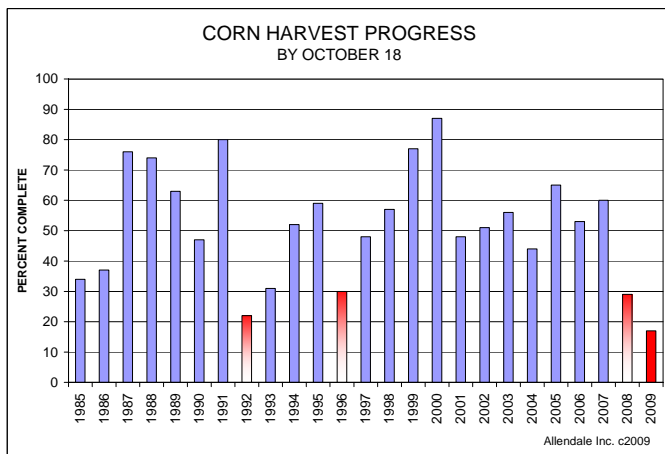


## Allendale Wrap-Up for Business Day 10/19/09



**Corn:** We all know this market simply WANTS to be bullish. Whether there is solid reason behind that or not does not matter in the near term. It is strongly advised that you check out the Commitment of Traders reports on our website. They can be found in the Special Reports section on the left side of the page. In the short term there are two main factors being used for the bull run 1) general commodity buying (inflation hedges) and 2) late harvest. We will not dispute #1. The market believes there will be inflation and therefore will buy commodities. We will point out that current inflation data shows we are still deflating. On #2

we should expect this market to remain bulled up at least through a good chunk of next week based on the current weather forecast. In the short term, this market is bulled up and will remain bulled up. Farmers are rushing to pick what they can today and tomorrow before the later Tuesday rains come. In other words harvest is delayed right now and will remain delayed for at least another week.

**Harvest Progress:** This afternoon's weekly update to crop progress indicated corn harvest went from 13% to 17% complete. The trade expected USDA to say it would be 20% done as of Sunday night. Lower than expected progress will be considered bullish tonight and tomorrow morning. This 17% number is the lowest ever since records started in 1985.

**New Allendale Study:** The news that harvest progress is at lows is shocking. It raises perceptions that 1) "we may never get this crop out" or 2) "we are losing yield each week it is delayed". Both arguments sound valid at first. However, we decided to look at the facts. USDA just told us the five year average harvest pace for Sunday is %. USDA has given us 24 years of weekly harvest stats to work with. We were able to isolate three years that had a significantly low harvest 1992, 1996, and 2008. The next step was to look at what happened to yields between October and the January summary report. Guess what happened in those "horribly delayed" harvest years? In 2008, yields dropped .1 bushel per acre during that time. In 1996 yields increased 4.1 bushels. In 1992, the MOST delayed harvest (22% complete this week), yields ended up increasing the MOST with an additional 7.6 bushels. Read the last few lines again. Late harvest has NO historical effect on yields on a national basis.

**Actual Yields:** During this afternoon's weekly broker meeting, which you can access, Bill made a good point noting that almost all yield reports he has taken all show either great or phenomenal yield results. Every one of our brokers in the home office and branch offices are reporting similar talk. Even after adjusting yields down due to high moisture, it clearly appears we will surpass USDA's latest 164.2 estimate.

**Direction:** Today posted the highest close of this one month uptrend in corn. The bull move is still alive. Given the harvest numbers posted above, we should expect current to higher prices for the next week or so. We did get a short term sale for speculative positions filled today. This is only a short term sale and we have limited risk. We are not calling a top in this market yet...Rich Nelson

### **Trade Idea(s):**

- (10/19) Sold 380, risk 392, objective 360. Closed 386 1/4.

### **Option Strategy(s):**

- (10/19) Stand aside.

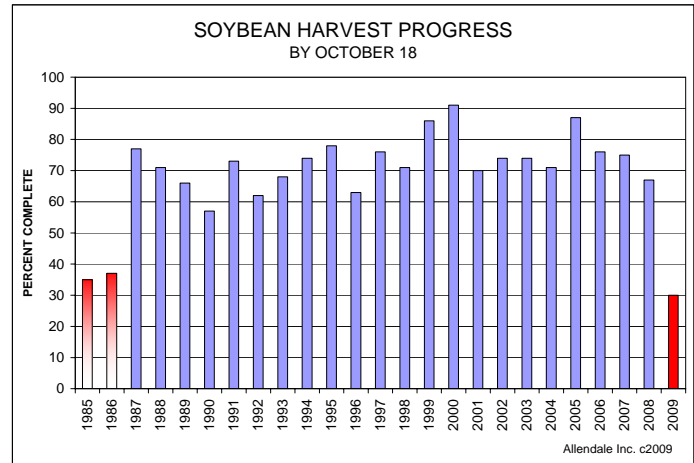
**2010 Allendale Outlook Conference: Bill Biedermann will deliver a corn outlook to help plan your marketing for the entire year.**

**\*\*\*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.

**Corn Technical Commentary:** Using the 370 level as support, we cannot say corn is a sell yet. Prices were tucked within yesterday's range which makes it an Inside Day. A breakout above today's highs or lows may be a go-with situation.

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

**Soybeans:** November soybeans posted their second highest close of the uptrend. Big harvest delays and general commodity buying were cited. This morning there was talk that Chinese crushers may have cancelled two or three cargoes of US soybeans. It was interesting to see that news, which would have determined our trading direction just a few weeks ago, had no effect on today's prices. The market will be deadest on keep prices up here or higher in the short term on the news that harvest is delayed now and will remain delayed through most of next week likely as well.



**Harvest Progress:** The trade expected USDA to tell us soybean harvest went from 23% last week on up to a range of 30% to 35%. USDA estimated we were 30% complete. This certainly sounds like incredibly bullish news considering the five year average is 72%! Also, this is a record low harvest for this week since USDA began releasing records in 1985! Expect higher trade on this news overnight and tomorrow morning.

**Allendale Harvest Study:** Similar to corn, we took a look at how late harvest impacts soybean yields. The only two years close were 1985 and 1986. In those two years, did USDA make massive revisions lower to their October yield report? The fact is that during those two years USDA added .2 bushels and .5 bushels between October and January. Again, late harvest has NO historical effect on yields on a national basis.

**Direction:** The trade is bulled up, and will remain bulled up, into next week. We do not like buying in this hyped up market but do not want to stand in front of the market which led last week's rally. With that in mind we will only sell on weakness (when the market is ready to call it quits) using a Stop Close Only order. If the market is trading at that price or lower, then we will sell...Rich Nelson

#### Trade Idea(s):

- (10/13) Sell Nov 976 SCO (stop close only), risk 16 from entry, objective 39 from entry.

#### Option Strategy(s):

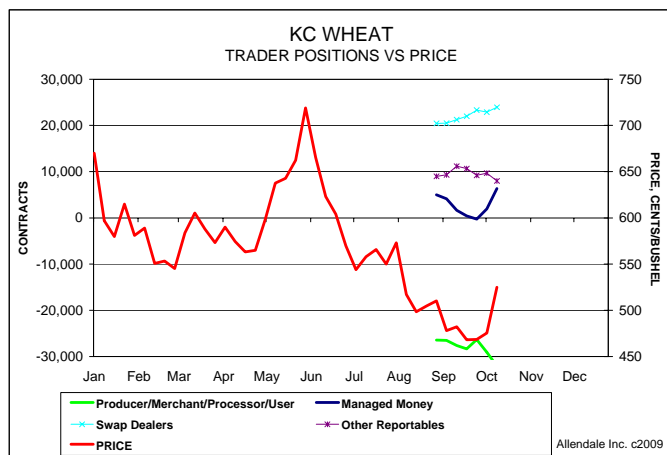
- (06/09) Sold Nov 1240 call/sold Nov 800 put 62 1/4, risk to 19, objective 0. Closed 1/4.
- (06/16) Sold Nov 1220 call 45, risk to 11, objective 0. Closed 1/8.
- (10/08) Bought Mar 920 put, sold 1020 call, sold 800 put for 10. Producer idea, there is margin required with this, but you are in a position to make 120/bu if the market breaks while leaving a 100/bu upside open before you are locked into a short.

**Allendale's Rich Nelson will utilize fundamental and technical indicators to provide a full 2010 outlook for the soybean market at Allendale's annual conference.**

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**Soybean Technical Commentary:** Just like corn, soybeans posted an Inside Day which closed slightly lower. We are using the 977 3/4 level as main support and so far have not seen a solid close below it.

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



**Wheat:** Direction of the market has changed as futures held support 495 and took out resistance at 515. An informal survey of farmers in IL seem to shaving intended acres due to weather and the need to focus on getting corn and beans harvested. Demand has also picked up with Bangladesh tendering for 300 as well as Turkey and Morocco. From a technical standpoint this market appears bottomed on the daily bar chart. Indicators like moving averages have not crossed yet. Thus big trend following systems have not turned bullish yet. Sideways chart indicators like RSI and STOCH are overbought and due for a pull back. Based on all of

this, it seems that the market should be bought on the next pull back. Fundamentally, there is such a huge inventory of wheat world wide that it makes sense that pull backs would occur – let's face it there is no shortage of wheat. But long term fundamentals will eventually prevail and with a substantial cut in SRW acres and a lot of HRW acres going into cold ground, we would expect the argument for higher prices will not go away until we determine the extent of this...Bill Biedermann

**Direction:** This market is excited on potentially lower winter wheat plantings (specifically soft red). Based on supply/demand balance sheets, even with this reduction in acreage taken off 2009 plantings (2010 harvest) we still have way too much wheat. Of the three trading positions to take (buy, sell, and stand aside) we would rather keep our hands in our pockets than risk money on this market. There is nothing wrong with that...Rich Nelson

#### Trade Idea(s):

- Chicago Wheat: (10/16) Stand aside.
- KCBT Wheat: (10/16) Stand aside.
- MN Wheat: (10/16) Stand aside.

#### Option Strategy(s):

- (10/16) Stand aside.

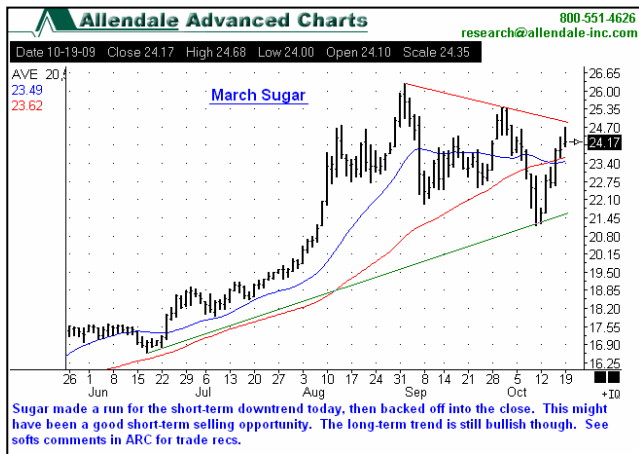
**Will wheat stocks continue to grow in 2010? Attend the 2010 Allendale Outlook Conference to find out from Joe Victor.**

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**Wheat Technical Commentary:** The clear rejection of higher prices on Wednesday is evident here. This market is ready to give the first retracement level (support), noted on the chart, a run for its money.

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

**Softs: Sugar:** Sugar is technically looking strong once again. We are not going to get too bullish until we take out 25 cents in the March contract. The fundamentals are still very friendly and will continue to fuel buying support on pull backs. We will be looking at buying calls once again if we see a break to the major moving averages with in the next few sessions.



**Cocoa:** December cocoa closed stronger today and pushed high enough to get us short. We are testing the current highs by selling this rally with a stop just above the current highs made last week. The fundamentals are still friendly especially while the large fund money continues to push some of the outside markets higher. Look for some profit taking in the short term as conditions are getting a little overdone to the upside.

**Cotton:** December cotton had a reversal day today closing near the lows. If we see more follow through selling tomorrow we could see a significant setback due to the overdone conditions. We are going to have

an order to sell Cotton on an early rally tomorrow and look for a quick sell off. Keep an eye on the recommendations for our entry points...Steve Georgy

### Trade Recommendation(s):

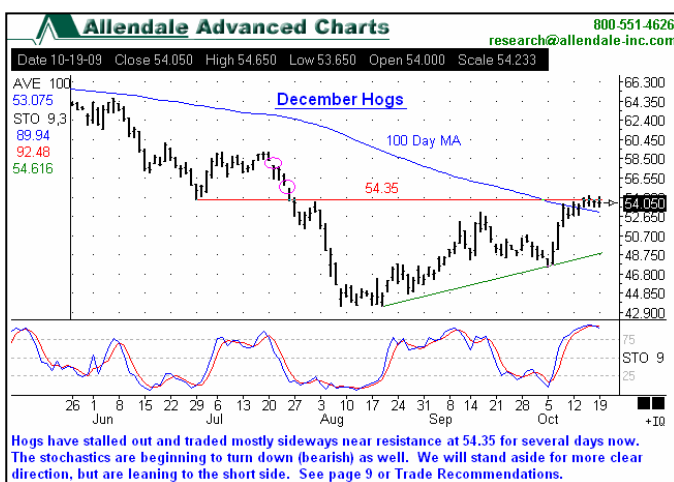
- Sell **January Lumber** at 198.50, risk a close above 205.00, objective at 185.00, closed 198.00
- Sell **December Cotton** at 67.50, risk 69.75, objective 64.20, closed at 66.47

### Working Trade(s):

- (10/19) Sold **December Cocoa** at 3300, risk 3395, objective 3160, closed at 3273

**Technical Commentary:** Lumber broke again today and looks like some of the technical indicators are starting turn bearish. We have moved out sell objective so please take a look at the trade recommendations. Good support comes in under the market tomorrow near 193.00 with resistance near 200.00. Please call with any questions 800-262-7538.

**Allendale Outlook Conference: January 22-23, 2010 in Crystal Lake, IL**  
Grain, Livestock, Weather, and Economic Outlooks will be provided to help you plan a successful 2010 marketing year. [Get more info here...](#)



**Lean Hogs:** While lean hog futures have stalled out in recent days, so far there is no smoking gun type of topping news. Wholesale pork in recent days has been posting small gains. Today it was up 22 cents on the afternoon report. Cash hog prices, via the lean hog index, are stalling out in the 51.50 area. While this market has stalled, we cannot call a top just yet. We are bearish but are not selling yet. This market is not ready for it. If given the chance we will bear spread this market by selling the December and buying the June.

**USDA Confirms H1N1:** USDA confirmed today the talk that pigs that were at the fair in Minnesota tested positive for H1N1. Authorities

are speculating it came from people that were at the fair. USDA has issued statements to our trading partners clarifying the issue and the fact it will not impact the safety of US pork. Authorities have also noted no US commercial hog herds have been confirmed with this human variant yet...Rich Nelson

### Trade Idea(s):

- (10/15) Buy Jun/sell Dec 19.60, risk to 18.15, objective 22.00.

#### Option Strategy(s):

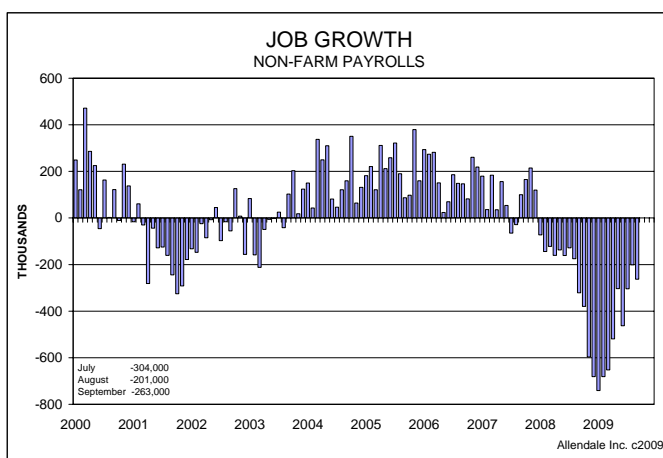
- (10/15) Sell **Dec 58 call** 1.75, risk to 2.70, objective 0.

**Have we seen the end of the small producers in the hogs? Rich Nelson has the answers but you have to attend the 2010 Allendale Outlook Conference to find out.**

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**Lean Hog Technical Commentary:** Hogs have stalled out and traded mostly sideways near resistance at 54.35 for several days now. The stochastics are beginning to turn down (bearish) as well. We will stand aside for more clear direction, but are leaning to the short side.

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



**Live Cattle:** Friday's Cattle on Feed report came and went without much of an impact. Instead, traders spent time jawing about possible Deutche Bank buying, moderate gains in the day's wholesale beef trade, and prospects for higher cash cattle this week. On the first topic, you may remember a week or two ago we noted Deutche Bank would be liquidating longs in corn and Chicago wheat and putting more into soybeans, KC wheat, live cattle, and lean hogs. The floor had the belief DB would start that buying in livestock today. There is some talk they may already have made all or part of their buys in the past week. DB

buying is not a reason to be bullish cattle. If you want to be bullish cattle, which we recommend, it should be based on supportive fundamentals. We continue to point out the economy is in recovery and unemployment only has a couple months left of rising. What increase there is left in unemployment will be small. We are long this market and have an 88.00 objective for the December. It is our believe that the current low prices will likely be the low for two to three years...Rich Nelson

#### Trade Ideas(s):

- (10/16) Bought Dec 85.10, risk 83.85, objective 88.00. Closed 86.45.

#### Option Strategy(s):

- (10/19) Sell Dec 85.00 call 1.40, risk to 2.10, objective 0.

**How closely related are cattle and beef prices to the jobless rate and what does it mean to your operation? Find out from Rich Nelson at the 2010 Allendale Outlook Conference.**

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**Cattle Technical Commentary:** Once cattle broke through resistance at 86.15 today they found more strength and were able to close above the 50 day MA. This hasn't been done since early August. We got stopped into a long at 86.25 on this move.

**Vital Technical Indicator:** Next projected major turn day for live cattle is October 27 and for feeders is October 29.

*[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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