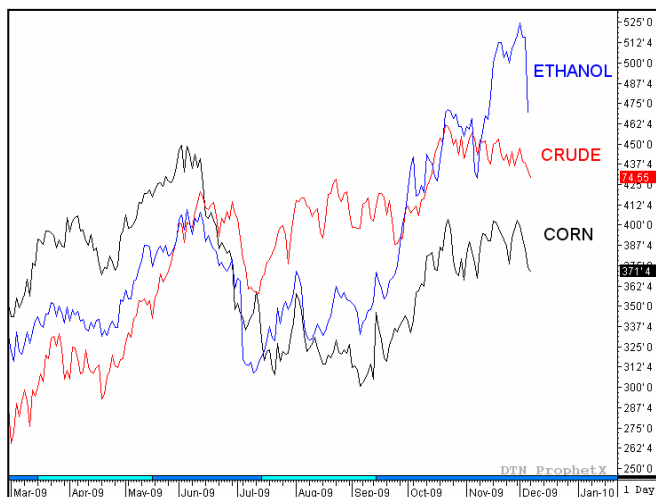


Allendale Wrap-Up for Business Day 12/07/09

Corn: It was another day of grinding lower much as we have been looking for. As we have stated in the past, without the fund buying the market direction is very simple. Without that kind of large buy support this market will set back. This was seen a few weeks ago when the funds took Thursday and Friday off the market set back. That left us asking what if the funds take weeks off. Why would we expect anything other than a lower drifting market? Funds key off of the dollar which has been on a good size bounce. For over 2 months the general downtrend of the dollar and economy has caused fund investment in all commodities and for the first time the dollar chart actually shows



slightly bullish signs. This has not caused trading fund liquidation but has kept all large buyers quiet in this market. There is always the chance for the upcoming storm to provide some support as well. It was hardly mentioned this morning but may catch more attention tomorrow especially if it hits in IL which is still far behind pace (85% complete). As long as the economy shows signs of recovery we can expect the general grinding lower of corn to continue. Should we hit fund stops, this grinding lower will turn into a faster paced liquidation. Keep a close eye on the economy. Two months of buying are based on a poor outlook and it should be more than evident what we will see should signs start to turn around.

Direction: Another day lower brings us closer to more significant support areas. First major support comes in at 372 1/2 which is the lowest price this market has held on the general bounce since September. Support after that will come in at the 100 day moving average which right now is 367 1/2 and rising. Both of these levels are currently seen as support but will quickly turn negative should they be broken. Both these levels are also possible candidates for fund sell stops as well. Corn bulls must have the funds back in this market to cause a turnaround as the fundamentals are just not giving any reason for a move higher...Ryan Ettner

EPA Takes Action: The Environmental Protection Agency announced two key findings this afternoon that may eventually affect farmers. In the first, they find that greenhouse gases threaten the public health and welfare of the American people. The second issue connected with that, is their finding that on-road vehicles contribute to that threat. This is part of the 2007 U.S. Supreme Court ruling that determined that greenhouse gases fit within the Clean Air Act definition of air pollutants. This announcement is important for farmers in one key way. By saying that greenhouse gases are a threat to public safety, it allows the EPA to step in and potentially control/limit greenhouse gas emitting businesses/vehicles. This means, even if legislators cannot get a Cap and Trade type system passed next year, the government can do it on its own. While this report will not be used for political positions, this news is important for potential acreage changes, and therefore grain pricing, in the coming years.

Effect on Inputs: The direct way this will affect farmers is the potential for a shift away from coal to natural gas for electricity production. Natural gas makes up around 75% of the cost of making fertilizer (NH₃, 23, etc). Now get this...public utilities are zero sum companies. If it costs more to make electricity using natural gas they can pass that onto consumers. They don't have to worry about losing money. If natural gas gets a new demand source that does not care about cost, then the secondary demand users of natural gas (fertilizer producers/farmers) will pay the price. While these are issues more for the coming years, and should not affect 2010 planting, it is an issue we all must keep on top of. EPA's press release did not specifically mentioned livestock operations. At this point we would guess they may simply continue the registration process of large confinement operations. If something changes on that end, we will let you know...Rich Nelson

Trade Idea(s):

- (12/04) Sell Mar 396, risk 407, objective 357.

Option Strategy(s):

- (11/19) Sold Jan 450 Call/sold Jan 390 Put 14, risk to 20, objective 0. Closed 15 1/2.

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.

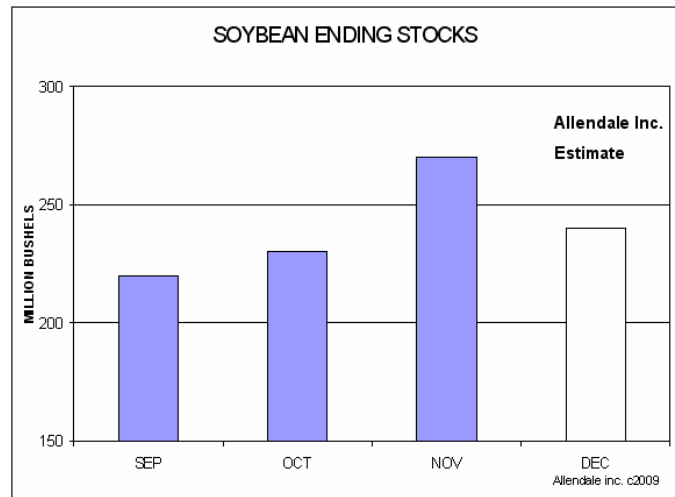
Advanced Charts Direction: Now that corn has broken its short-term uptrend & the 50 day MA, we have to look to the retracement levels to find new support. 38% was tested today at 383. We will place a buy order near 50% at 375 since the 100 day MA is near there...Monica Moehring

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

Soybeans: Anticipation of continued China buying is keeping this market well supported. Good demand has lowered the average estimates of bean carryout down to 235 mil bushel now. For once it appears that this market is supported by solid fundamentals instead of just strictly fund buying. However, much like the fund buying we are fully aware that China can stop their buying without notice. As we saw in corn just a couple weeks ago, beans are at their high prices for the year. This has to be seen as an opportune time for putting on next year hedges.

Corn has already set back enough that many people are saying they had wished they had an hedge on earlier. This market is one that is giving us the opportunity right now to take the same advantage and we should not miss it. An order for a \$10 floor with a \$12 ceiling (buying the \$10 put, selling the \$12 call and selling the \$8 put) traded right around our target of EVEN money today. Let's be sure not to miss what the beans are giving us right now and put some hedges on at profitable levels. There may very well be a spring rally but right now we are handed levels we can have a very good start and should be taking advantage of it.

Direction: Should China stop buying or if the dollar should rally this move higher in beans will likely end. On the last move through the 1068 resistance there was only light speculative buying which was quickly sold off. Should we break that level again and be supported with larger buying, we can begin to get bullish again but until then we have to side with feeling fortunate this market is still this well supported...Ryan Ettner



Trade Idea(s):

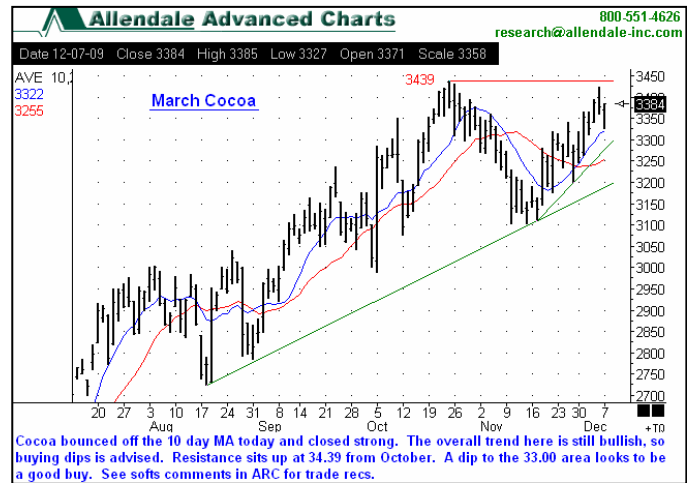
- (12/07) Sold 1055, risk 1072, objective 1017. Closed 1053.

Option Strategy(s):

- (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.

Cocoa: March cocoa was sharply unchanged today with very light trading. I was surprised today with the lack of trading in the cocoa even with all the volatility surrounding the markets. We are short cocoa right now and looking for more of a sell off early next week. Keep an eye on the stock market for early direction because we feel next week could bring more volatility than we had seen this week.

Cotton: March cotton closed 42 points lower today and could have put in a reversal day. Cotton could end up falling right along with some of the other markets if we see the strength in the dollar continue next week. Fundamentals are out the window right now and the technicals are in the driver's seat. We are standing aside right now but will reevaluate next week...Steve Georgy



Trade Recommendation(s):

- (12/07) Sell **January Lumber** at 243.00, Risk 250.00, Objective 232.00

Working Trade(s):

- (12/04) Sold **March Cocoa** at 3390, Risk 3460, Objective 3250
- (12/03) Sold **March Sugar** at 23.30, Risk 23.70, Objective 22.10

Technical Commentary: Lumber fell \$4.00 today and looks like it has broke \$11.70 for the week. We are still trying to sell strength but with the dollar rallying this may put more pressure on things early next week. Support comes in at 222.20 and 220.00 with resistance at 233.00 and 239.50. Have a great weekend and talk to you next week.

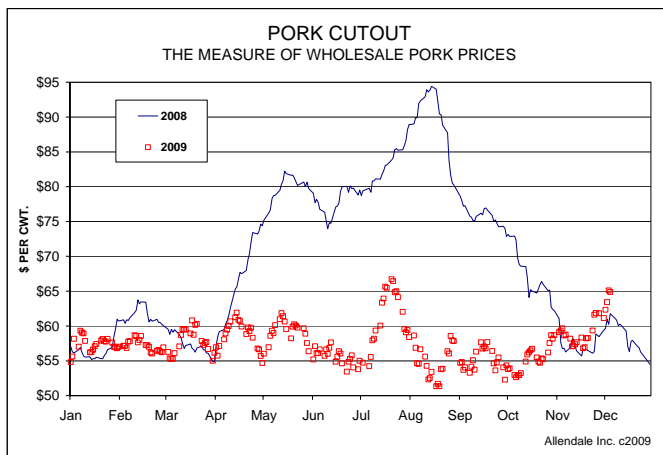
Allendale Outlook Conference: January 22-23, 2010 in Crystal Lake, IL
Grain, Livestock, Weather, and Economic Outlooks will be provided to help you plan a successful 2010 marketing year. [Get more info here...](#)

Energies: January Crude settled \$1.54 lower for the session at \$73.93. Even though the U.S. Dollar was lower for the preponderance of trade, we still found pressure in the energy complex as the supply and demand situation appears to be catching up to the market. One thing that should be apparent to anyone who watches the market on a daily basis is that the relationships that we have gotten used to over the past few months seem to be changing. Crude is not as willing to rally when the Dollar is weak; Crude is not as willing to rally when the equity market is strong. This divergence is making energies a difficult market to forecast. The Saudi oil minister indicated that \$75 is a “perfect” price for consumers and producers. It is possible that we may be ratcheting our range down a bit to the \$72-\$78 zone, but it is very important to watch the U.S. Dollar. If the Dollar continues to exhibit strength, we feel that there is a lot more downside potential to the energy markets among many others...Brian Splitt

Trade Recommendation(s):

- **Stand Aside**

Technical Commentary: January Crude Oil is in a ten month up trend and a one month down trend. The chart has breached numerous levels of support over that past few weeks, but the long term trend of higher prices is still holding true. The spike low of \$72.39 is actually where the long term up trend will come into play this week. If we violate this point, the chart will turn bearish with possible retracement targets of \$69.25, \$65.05 and \$61. Close-in support is \$73.05 with further support at \$72.40, \$71.15 and \$70. Close-in resistance is Friday's low of \$74.85. \$75.50, \$76.75 and \$78 give further resistance with psychological resistance at \$80. Stochastics are pointing down.



those hogs are still growing. That means after a storm we have 1) a lot of hogs waiting to go 2) that weigh more than they should. It is interesting that this storm is going to hit right about the time that cash hogs seasonally peak for the month. That means cash hogs will run higher through Wednesday or so. December futures, which expire Monday, will go up right along with cash prices. However, after Wednesday we may see cash hogs break and we may realize December is holding too high of a premium. Something important to watch here is the fact wholesale pork closed down 22 cents for the day. Is the pork market already trying to price in a peak? With that in mind we will throw an order into sell this December contract if it reaches too high. Keep in mind it is cash settled so positions can be held through expiration (noon on Monday)...Rich Nelson

Trade Idea(s):

- (11/30) Buy Feb 64.90, risk 63.25, objective 68.50.
- (12/07) Sell Dec 62.42, risk 63.50, objective 60.97.

Option Strategy(s):

- (12/07) Stand aside.

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.

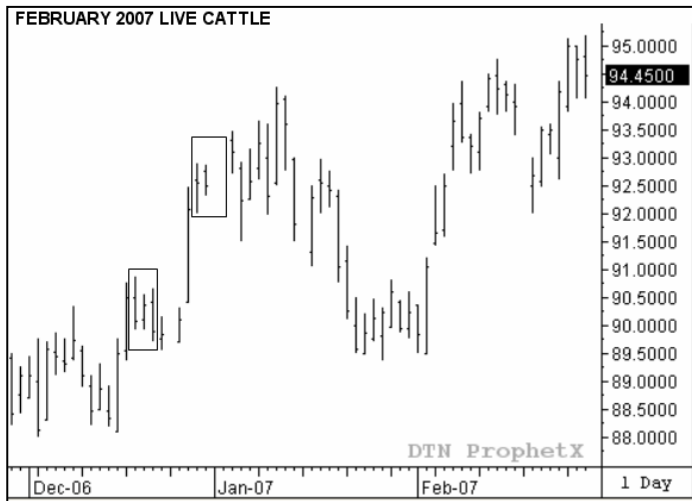
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Advanced Charts Direction: Hogs seem to be finding good resistance at 68.80, the high from Nov. 27. Today's low was near the 10 day MA. Overall the trend is still bullish here, but another pullback wouldn't hurt things too much. We have an order to buy at 64.50...Monica Moehring

Vital Technical Indicator: Next projected major turn day for lean hogs is December 15.

Live Cattle: In this afternoon's weekly meeting with the brokers we noted that winter storms can have both an immediate, and a lasting, effect on cattle prices. In the short term they can impact marketings to packers. In the long term, these storms can impact weight gains for not only weeks but months. Feedlots managers note it is hard for the young fall placed calves, which make up a good chunk of cattle in feedlots over winter, to "get straightened out". One of the more severe systems in the past few years was three years ago. In the winter of 2006/07 you may remember there were two separate big storms around Christmas. The effect of those two storms was to take as much as 20 lbs off carcass weights for weeks. As it stands right now, the eight to fourteen inches forecasters are calling for this week in the northern plains could give a temporary bounce. It won't turn this into a bull market, like three years ago, but could at least help offset some of the increase in cattle slaughter coming for the next three months. The other issue we

Lean Hogs: Today saw the soon-to-expire December contract divorce itself from the remaining contracts. On the 830 am Livestock Fundamentals page we noted that winter storms do have an impact on hog prices but it is generally short lived. Big snows can stop producers from getting to the hog barns to sort the hogs. Producers hate loading hogs through a single doorway spewing snow and cold temps. Semi drivers have a hard time getting to and from those barns. However, after the storm subsides and the roads clear, there are a lot of delayed hogs waiting to be marketed. The other issue is in those heated barns



1.82, risk to 3.00, objective 0. Closed 1.75.

talked about on Friday is the employment/beef demand one. In our opinion, while beef demand will not reverse based on that report, perhaps it can stabilize. Wrapping it up...this market was breaking on perceptions of bigger slaughters coming and lowered beef demand. The employment report and this week's storm may not reverse this downtrend but could give us some sideways trade now...Rich Nelson

Trade Ideas(s):

- (12/07) Stand aside.

Option Strategy(s):

- (11/25) Sold Feb 82 Put/sell Feb 88 call

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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Advanced Charts Direction: The cattle market may be developing a new sideways range between the contract low at 82.75 and resistance at 84.25. We will place a sell order near the top at 84.00 since the overall trend is still bearish...Monica Moehring

Vital Technical Indicator: Next projected major turn day for live cattle is December 16 and for feeders is December 22.

[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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