

## Allendale Wrap-Up for Business Day 12/28/09

CORN PRODUCTION LEFT "OUT IN THE FIELD" AS OF DECEMBER 20 in bushels			
	% HARV	USDA PROD	OUT IN THE FIELD
NE	93	1,584,200	110,894
IL	95	2,065,000	103,250
MN	93	1,221,200	85,484
SD	88	690,000	82,800
ND	68	211,750	67,760
WI	88	423,400	50,808
IA	98	2,443,050	48,861
IN	98	903,040	18,061
MI	94	282,580	16,955
KS	98	561,150	11,223
PA	93	126,720	8,870
MO	98	437,900	8,758
OH	99	517,920	5,179
CO	98	137,750	2,755
18 States	95	12,920,928	646,046

**Corn:** All eyes were on the expectations for fund rebalancing after the first of the year. Today saw some front running ahead of the potential for fund buying. Corn started strong as the other grains did but was slightly more limited to its upside potential due to being close to the upper end of its range. Our high today in the March was 418 3/4 stopping just shy of our well known resistance of 420. Front-running buyers are unlikely to go too far with their buying unless the funds show up to help out. That is understandable because no one wants to be left holding the bag with a buy at 425 and have the funds actually not buy after the first of the year. Should that buying not surface there would be large amounts of disappointment selling. That selling

would push corn back at least to recent support of 380. Here is the issue that we face. Do we take what was given today and put on some hedges or do we wait to sell if these funds show up? There is no argument that the amount of fund buying expected would certainly push us to new recent highs. If you do not have many sales committed for next year then putting on some hedges here is a level you just can't argue with. If you already have a fair amount of hedges on, then we can say it may be worth waiting to see if the funds help us out to start next year. We can expect another week of thin trade that is volatile. It may be tough to break 420 this week so if your goal is for higher levels than that, you will need the funds to help out. If funds start next year with active buying we will be more than happy to take full advantage of it but we have to take some advantage of what is in our hands now. How often do these funds actually do exactly what we expect them to anyway? In other news we will point out USDA did not release a new harvest estimate this afternoon. They are done for the season. As of last Sunday the 20<sup>th</sup>, a little over 600,000 bushels were left in the field by our estimates.

**Direction:** This week will likely keep the corn range bound as it has been. That is why we recommend a sale near the 420 level and a buy near 380. This range should hold at least through this week. Let's be more cautious after the first of the year. Have hedges ready to the upside should we see large fund buying and be ready to ride the wave lower if they don't...Ryan Ettner

### Trade Idea(s):

- (12/28) Sold Mar 415, risk 427, objective 390. Closed 416.

### Option Strategy(s):

- (11/19) Sold Jan 450 Call/sold Jan 390 Put 14, risk at 9, objective 0. Expired 12/24 at 0 for +\$700.

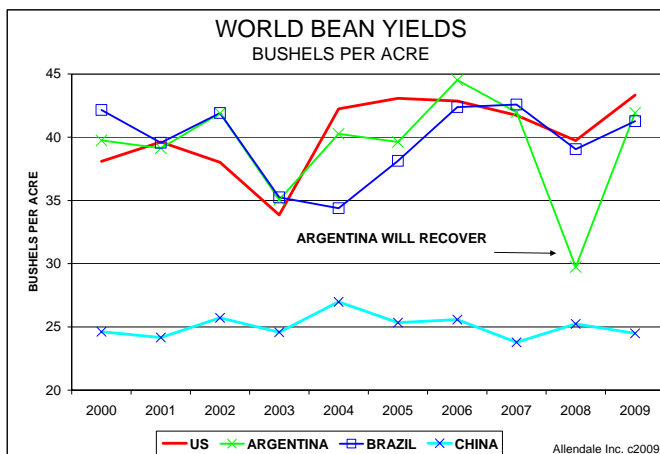
**\*\*\*Disclaimer\*\*\*** The commentary and trades below are derived from technical indicators provided in our Allendale Advanced Charts pages and may not correspond with the fundamental commentary above.

**Advanced Charts Direction:** Although higher trade was seen today, it didn't change the big picture on the corn chart. There is still an uptrend in place, but a large sideways range has been seen over the past 3 months...Monica Moehring

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

**Soybeans:** Unlike the corn, beans have far more potential to the upside. That allowed buying to step in and move this market with little resistance today. Volume in March was 48,000 which is thin but not drastically so. With the anticipation of fund buying in this market after the first and resistance not being

found until 1070, selling was light and buyers took over. Each time a buying wave moved in this light volume market it was able to provide more push than normal. There is still some carryover support from strong exports last week but it should be more than obvious that most of this was technical buying. We are interested in hedging beans but feel like there is even more potential for a move higher. Today the beans showed why you just can't turn your back on a thin traded market. Fund buying is not expected to be quite as aggressive in the beans as it is for corn leaving us quicker to place hedges once this market does approach resistance. Weather in South America still looks to call for regular good rains which continue to increase expectations of production. We will look for at least another 30 cents in the bean market before hedging. That just might happen quicker than earlier thought. There could be enough buying in thin volume to reach that objective by the end of the week.



**Direction:** With plenty of room to upside light buying was met with even lighter selling. There is reason to believe this market has another 30 or 40 cents left to run higher. While some sort of correction may be seen with light selling tomorrow, it would not be too much to believe we can reach hedge objectives by the end of the trading week...Ryan Ettner

**Trade Idea(s):**

- (12/28) Sold Mar 1026, risk 1048 SCO (stop close only), objective 990. Closed 1038.

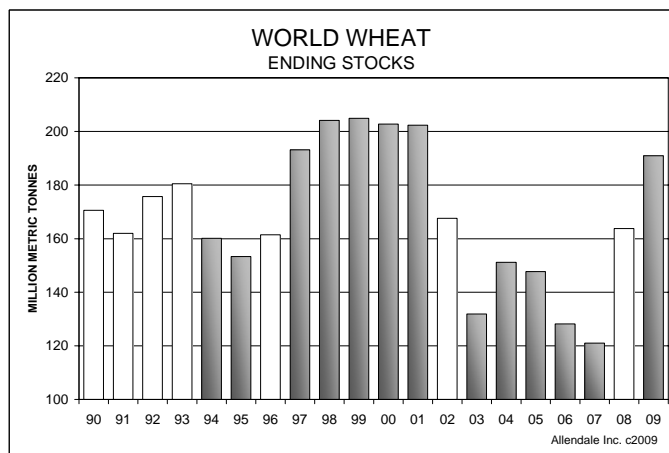
**Option Strategy(s):**

- (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.
- (12/28) Sold Feb 1070 call 15, risk to 27, objective 0. Closed 20 7/8.

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**Advanced Charts Direction:** Beans posted an inside bar on the chart today just under 38% retracement. The close was back above the key 1000 level though. Yesterday's low at 984 1/2 is key support now. We will stand aside for now...Monica Moehring

**Vital Technical Indicator:** The next projected major turn day for soybeans is tomorrow, soybean meal is January 5, and soybean oil is January 11.



**Wheat:** In a day that saw heavy speculative buying it should not be very surprising to see wheat move almost more than any other grain. Until the end of the day it was out in front of the row crops. As we have said before, fundamentals have nothing to do with recent trading and will also be subject to the greatest percentage move from New Year fund buying if it is to show up. Any trade in this highly speculative and easily influenced market will entail some risk but as seen today, high risk often leads to high reward. Stay cautious with trades in this market. Any orders entered here are at the mercy of

fund influence. This is as unpredictable as the weather.

**Direction:** A low cost call still seems to be the way to go. Risk a limited few cents on a call that will be greatly rewarded if this fund showing does show up or low volume trading lends its hand to running higher in anticipation. These low cost calls tend to offer little benefit unless a large move shows up. If funds do show up then that will be the large move that is needed. If not, we only risk a few cents... Ryan Ettner

### Trade Idea(s):

- Chicago Wheat: (12/28) Sold Mar 530, risk 543 filled 12/28 for -\$650.
- KCBT Wheat: (12/21) Stand aside.
- MN Wheat: (12/17) Sold Mar 533, risk 542 filled 12/28 for -\$450.

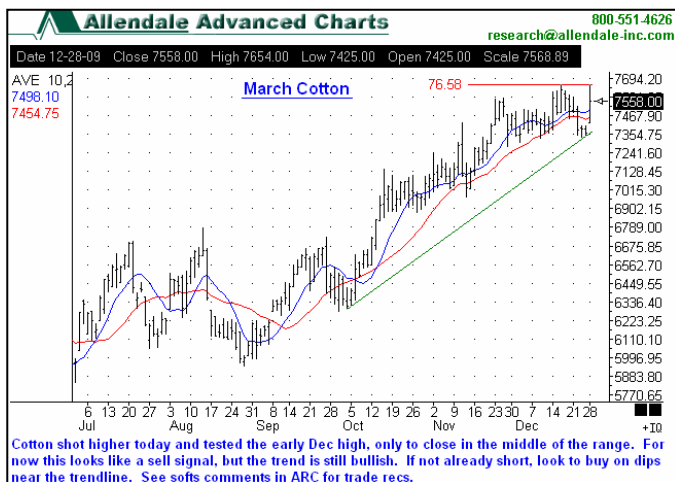
### Option Strategy(s):

- (12/10) Sold Mar KW 580 call 16 1/8, risk to 29, objective 0. Closed 18 1/2.

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**Advanced Charts Direction:** For the past four sessions wheat has traded between 50% and 62% retracement. Today's close was near 50%, indicating we may see the bulls come back into play here soon. We will leave a sell stop under 62% at 512...Monica Moehring

**Vital Technical Indicator:** the next schedule projected major turn day in store for wheat is January 6.



**Sugar:** March sugar made new highs today but traded the lightest volume we have seen for this contract. Today's close was strong and could still project to higher levels. We are watching the spread between the March and May contract. March has pushed more than 200 points higher than the May due to speculative money coming into this market. We are looking at buying May and selling March to take advantage of this spread. Fundamental news is very light and should remain that way throughout the week.

**Cocoa:** March cocoa fell 41 points and closed near the lows. Cocoa may be in trouble technically if we

don't see a rebound in the next few days. We broke another trendline today that could send this market back to 100 day moving average (3170) and potentially 3100. There are no other fundamentals to talk about but watch some of the outside markets for market direction.

**Cotton:** March cotton hit support this morning and pushed high enough to hit our sell order. We are now short with a profit objective near the gap in the chart (74.75). Cotton is overbought and could see more liquidation in the coming days. News is limited and should remain that way until next year...Steve Georgy

### Trade Recommendation(s):

- Buy **May Sugar** / Sell **March Sugar** at 204, Risk 240, Objective 75
- Buy **July Sugar** 25 cent calls / Sell **July Sugar** 32 cent calls at 100 points, Risk to 20 cents, Objective 620 points

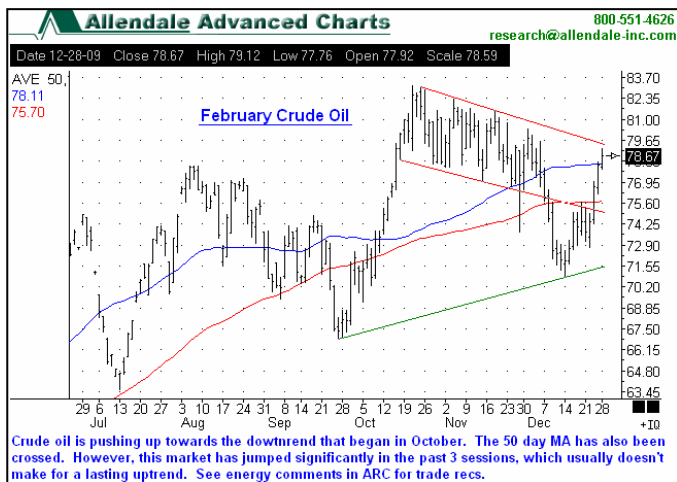
### Working Trade(s):

- (12/28) Sold **March Cotton** 76.40, Risk 76.75, Objective 74.75
- (12/16) Bought **January Lumber** 210.00, Risk 205.00, Objective 219.00

**Technical Commentary:** Lumber closed 60 points higher today but we will be rolling out to March in the next few days. Lumber held support again and looks like it should bounce in the next few sessions. If our profit order is not hit by Wednesday we will be rolling to the next month with the most open interest (March). The charts are still sideways but we feel a break out in ether direction could happen in the next few sessions. Support is still near the 208.00 area and resistance near 215.00 and 220.00.

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**Energies:** February Crude was up \$0.72 today; settlement was \$78.77. A slightly weaker U.S. Dollar helped keep buyers involved today as cold weather and tensions between Russia and Ukraine added support. We witnessed a similar dispute between Russia and Ukraine last year, although it was in a different global economic climate. Since the dispute involves transit fees for Crude Oil headed to Europe through Ukrainian pipelines, we could expect short term strength in Heating Oil; many European countries will use more Gas Oil which is a proxy for Heating Oil. Expectations that this week's inventory data will show further draws in Crude Oil and Distillate stocks also added support to today's session...Brian Splitt



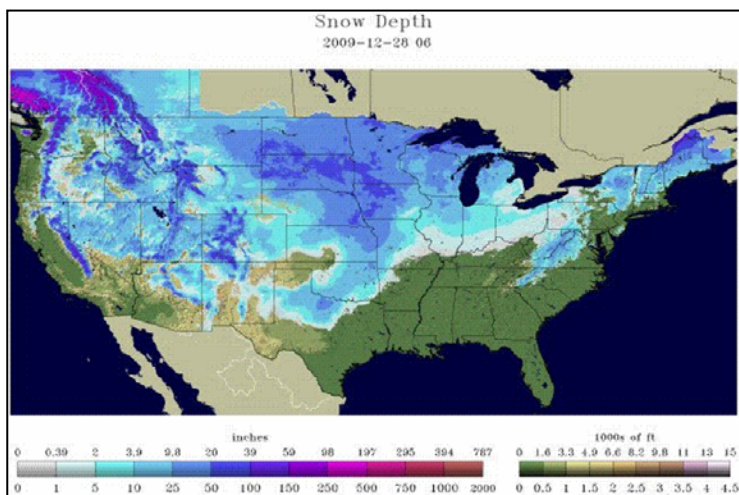
**Working Trade(s):**

- (12/16) **Bought February Crude Oil** (filled on 12/17) @ **\$73.25**. Risk to **\*\$77.45\*** with an objective of **\$79.25**. February Crude settled at \$78.77.
- (12/16) **Bought February Crude Oil** (filled on 12/23) @ **\$75.70**. Risk to **\*\$77.45\*** with an objective of **\$79.25**. February Crude settled at \$78.77.

**Technical Commentary:** February Crude Oil is in a ten month up trend and two month down trend. Close-in support is \$78.15 with further support at

\$77, \$75.65 and \$75. \$73.20, \$72.54 and \$70.83 will provide support above \$70. Close-in resistance is \$79.12 with psychological \$80 resistance looming just above. A move above \$80 could lead to new highs for the move with \$81.60, \$82.30 and \$83.20 as further resistance levels. Stochastics are pointing up and approaching overbought status.

Gold traded in a very small range today just below the 50 day MA. There is still resistance up near 1140.00, while support sits down at 1072.60. We will place a buy/sell orders near both of these levels.



**Lean Hogs:** USDA's revised slaughter report, covering last week, indicated 7.4% fewer hogs were processed last week than last year during the same week. There will be a few extra hogs around that are left to be processed with the only question being when they can be scheduled? In the short term we will note wholesale pork prices were higher today based on the slaughter revisions USDA released today for last week. In the big picture, we are still concerned about the next two weeks.

**Hogs and Pigs:** On Wednesday afternoon the trade receives an update on the hog supply in the US. Each quarter the statistics branch of USDA surveys hog producers of all sizes throughout the US. They ask them to detail the hogs currently alive on their farms and their intentions for future production levels. The pork industry uses these reports to help detail pork production estimates for the next twelve months out. While it generally is not a big price mover for the next day, it can change the trade's bias for the deferreds. The key issue to solve right now is the level of liquidation that occurred in the breeding herd from September 1 to December 1. Based on the weekly kill levels we can project the US breeding herd slaughter was 2.3% less than the same period last year in that time. The other part of the equation, which may help that slack breeding herd pace, is the number of new gilts that were added to the breeding herd in the past quarter. That is why the range of guesses for Wednesday's report runs from 95.3% to 98.0% (quoted in percent of last year levels). No matter what level is shown by USDA you can be assured the trade feels it was not enough. Having said that, we must point out there was liquidation in 2009 (though small). There will be smaller pork production in 2010. Additionally there will be smaller supplies of competing meats. Lastly, domestic and export demand for US pork may show a slight increase in 2010. Do not be mistaken, we are supportive to deferred futures...Rich Nelson

**Trade Idea(s):**

- (12/16) Bought June/sold Feb 10.92, risk to 10.10, objective 14.12. Closed 12.85.

**Option Strategy(s):**

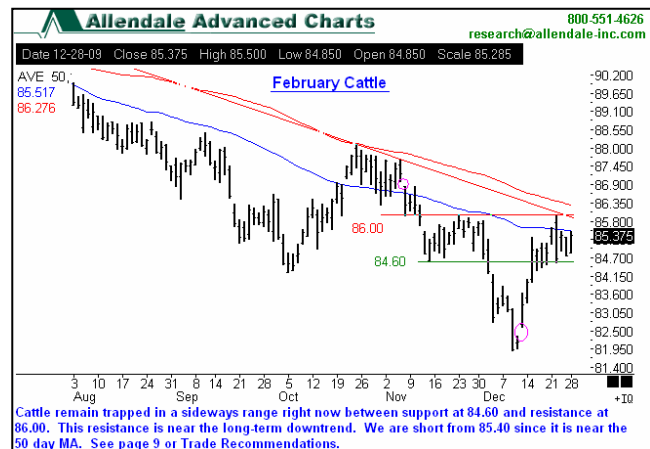
- (12/11) Stand aside.

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**Advanced Charts Direction:** Hogs posted an inside bar on the chart today which was between the 40 & 50 day moving averages. The overall trend is bullish here so we will place a buy order near the trendline in case it gets tested...Monica Moehring

**Vital Technical Indicator:** Next projected major turn day for lean hogs is December 30.

**Live Cattle:** This afternoon's wholesale meat report from the USDA held good news. A 69 cent and \$1.41 gain posted for choice and select beef were noted. While we noted expectations for only steady cash cattle trade this week perhaps there is a chance for steady to \$1 higher. We had noted the bullish effect from the storms was being offset by the lack of new beef demand. Are we starting to change that now? For the short term, we are suggesting only a mixed futures trade...Rich Nelson



**Trade Ideas(s):**

- (12/14) Stand aside.

**Option Strategy(s):**

- (11/25) Sold Feb 82 Put/sell Feb 88 call 1.82, risk to 2.15, objective 0. Closed 1.12.

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**Advanced Charts Direction:** Cattle remain trapped in a sideways range right now between support at 84.60 and resistance at 86.00. This resistance is near the long-term downtrend. We are short from 85.40 since it is near the 50 day MA...Monica Moehring

**Vital Technical Indicator:** Next projected major turn day for live cattle is January 7 and for feeders is January 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](mailto:research@allendale-inc.com)

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