

Ag Market Professional

Brugler Marketing & Management LLC

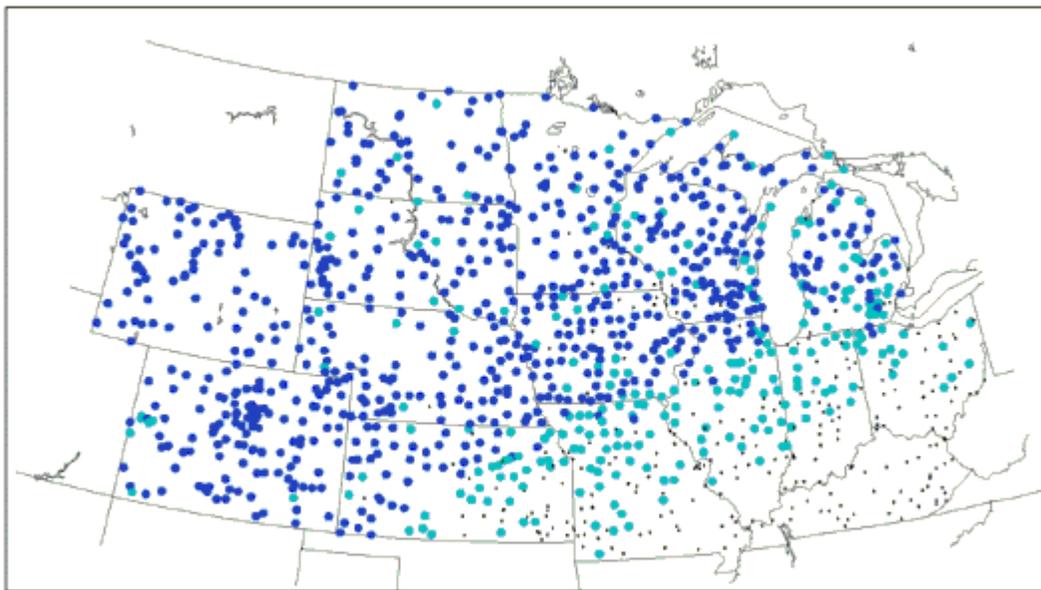
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October 12, 2009

OUTSIDE MARKETS: With many banks and government offices closed today, access to cash is constrained. That can occasionally result in some weird market behavior. Back in LDP days, Columbus Day was often a rally day that gave producers a freebie. Gold is up \$4.90 at \$1053.80. The dollar is sharply lower. Crude oil is trading \$1.30 higher at \$73.07.

WEATHER: As expected, the corn growing season came to an end over the weekend for the WCB and some of the ECB. This NOAA map shows the boundaries quite clearly. Soybeans are done, with the exception of the Ohio River Valley. However, note that Indiana and Illinois, two of the states with the most delayed planted acres, still hadn't had a hard enough freeze to shut down all nutrient movement in the corn stalk through Sunday. Some of the areas north of I-70 likely finished their season overnight.

Fall Freeze Locations
As of Oct 11, 2009



NOAA Midwestern Regional Climate Center
Illinois State Water Survey
University of Illinois at Urbana-Champaign

• Freeze ($\leq 28^{\circ}\text{F}$)
• Freeze ($\leq 32^{\circ}\text{F}$)
• No Freeze

CORN: Futures were $1\frac{3}{4}$ to $3\frac{3}{4}$ lower on Friday, due to some mild profit taking after a week in which they gained more than 8%. USDA boosted the US average yield over 164 and put the crop over 13 billion bushels. The market didn't get too excited either way. After the close, CFTC confirmed the real reason for the size and scale of the rally. Commercials added 38,189 shorts in the week ending 10/6. This is due to corn being bought from producers out of the field. The selling allowed the large spec traders to buy 32,863 contracts for the same week, and price usually follows that group. The index funds also continued to amass their corn long. They tacked on another 9,976 contracts.

Chart Points: The December daily chart has a White Army of candlesticks, coupled with a triangle breakout that counts to the \$3.87 area. Stochastics are overbought, but ADX shows a trending move and MACD is bullish. The 38.2% retracement has now been conclusively taken out. The 50% retracement is the next resistance level, at \$3.87 ¾. Open interest shows a surge of new buying that began on October 1 and ended on October 6. The price rise since then has been trapped shorts bailing out, i.e. rising prices on declining OI. The 18-day moving average is support at such time as prices move away from pushing the upper BB. It is down at \$3.41 ½.



Corn Recommendations: 2009 Corn Crop: ---You added short November 370 calls vs. 20% of production as a time decay and trading cycle play (10/2). ---You rolled any remaining long Dec 320 puts (10/2) up to the Dec 340 strike price (10/2) to enhance downside protection for the report. ---You rolled the long Dec 340 puts to the Dec 360 strike price (10/8). ---You increased cash forward sales 5% to reward the rally (10/8). *****Exit the short Nov 360 calls. They will be replaced with short Dec 380 or 390 calls once the current rally dies out.*** We anticipate getting the opportunity to roll the long Dec 360 puts to the Dec 380 strike price, but do so only if December appears likely to close over \$3.80. ***Sell Dec 340 puts as a covered write vs. 20% of production to help pay for the eventual roll up on the Dec 360 puts.**

Feed User Recommendations: ---You bought 30 days of cash corn coverage, taking advantage of seasonal basis weakness (10/6 Dec) after lifting the long November calls (10/2). You are currently covered to December 1.

SOYBEANS: Prices shot 13 ¼ to 28 cents higher on Friday, led by the nearby November. Soybean meal jumped \$7.60 in support, and bean oil was up 63 points to add another 7 cents per bushel to product value. As you know by now, USDA put soybean production at a record 3.25 billion bushels, but raised projected US carryover to only 230 million bushels. World ending stocks are seen above 54 MMT, but most of that is back loaded following the Brazilian and Argentine harvests in 2010.

Chart Points: The 78.6% retracement is support on the weekly chart at \$8.86 ½. Weekly MACD and stochastics show buy signals. The 38% retracement is the overhead objective, at \$10.36 ¼. The next retracement resistance for the November contract is at \$9.94 ½. MACD is bullish. Open interest is also rising despite being only 3 weeks until delivery notices and being near the end of the Goldman Roll. This suggests somebody wants the delivery beans?

Soybean Recommendations: 2009 Soybean Crop: See the MPT for the full position. Still short November 800 and 840 bean puts. ***** Continue to hold off on cash sales**, as we anticipate that either basis or futures will have to go higher in order to pull sufficient numbers of bushels away from producers to meet export and crush requirements. *****Exit the long Nov puts for salvage value. They will be replaced with a higher strike price.**

Soy Meal: The weekly chart is still bearish, with MACD pointed lower. Stochastics are still bearish, but oversold and looking for a trigger. Last week's bullish engulfing line is impressive, as is the beginning of an attempt to break out of a BB pinch to the upside on the daily chart. The weekly chart broke out of a pinch to the downside a couple weeks ago. Make no mistake, rising corn prices are a key component, an enabler, of this rally in the meal.

Positions: See the MPT. ---You extended cash meal ownership another 30 days (10/6 Oct). --- You bought December futures vs. another 30 days of use (10/6), or you bought December 270 calls vs. 2 months of use (10/6). ---If you bought the call options, you sold December 300 calls against 2 months of use (10/7 @ \$5.00), creating a bull call spread and lowering your net cost for holding the position. ---Those with the long futures also added this short call position as a covered write vs. 2 months of use (10/8). *****Roll the short Dec calls up to the Dec 320 strike price, giving your long futures or long Dec 270 calls more room to run. ***If December meal reverses and appears likely to close below \$298, roll the long Dec 270 calls to the Dec 290 strike price and bank the hedge earnings.**

WHEAT: It's still tough in the wheat business. All three markets were up on the week, mostly due to the weakness of the US dollar. On Friday, CHI was down 3 ¾ to 6 cents. KC was down 4 ¼ to 4 ¾, and MPLS was down 3/4 to 3 ¾ cents. USDA cut projected US exports by 50 million bushels, which is probably still not enough of a dial down. The world ending stocks to use ratio is at 28.7%, which would be the loosest since 2003. A bigger ratio number implies a lower average cash price. That said, a weak US dollar is good for commodity prices, and most of the bearish news is already built into the price.

KCBT HRW WHEAT: The weekly chart appears to be building a base, about 6 weeks old at this point. Support is \$4.56, followed by the 2007 low at \$4.33. Moving average resistance is at \$5.26. MACD and stochastics are both bullish on the December daily chart. Prices have closed right on top of the upper regression channel boundary the past two sessions. The 18-day moving average is support at \$4.73 ³/₄.

KC Wheat Recommendations: 2009 KC Wheat Crop: *****Roll the long Dec 540 puts down to the Dec 500 strike price, banking profits while still maintaining downside coverage.**
Optionvue shows no volume in the 540 puts on Friday.

CBT SRW WHEAT: The weekly chart has moved away from the lower BB support at \$4.07 ¹/₄, signaling an attempt at the midline of \$4.86. *Weekly MACD and stochastics have turned bullish.* On the December daily chart, BB resistance is at \$4.78 ¹/₂. Prices are trading outside the regression channel, attempting to reverse direction.

CBT Wheat Recommendations: 2009 CBT Wheat Crop: ---You added short Dec 500 calls vs. another 20% of production (9/30). ---You took profits on the short Dec 520 calls to prevent any kind of zombie problem (10/8 @ \$.0775, mid-session trigger met). *****Take profits on the short Dec 580 calls as well, to prevent any potential zombie problem.**

MGE HRS WHEAT: The December chart is trying to expand a Bollinger pinch to the upside. Retracement resistance is at \$5.41 ¹/₂ if the rally above the 40-day moving average at \$5.10 can be sustained. The 18-day moving average is support at \$4.93 ³/₄.

MGE Recommendations: 2009 Crop: *****Roll the long Dec 560 puts down to the Dec 520 strike price. Optionvue shows no volume in the Dec 560 puts on Friday. ***Exit the long Dec 530 puts.**

LIVE CATTLE: Futures were up 30 to 75 cents on Friday, led by the nearby October contract. Weekly slaughter was down 1,000 head from the previous week, and down 18,000 from the same week a year ago. Wholesale prices were slightly higher on Friday, with choice up 19 cents and select up 27 cents. Packer offerings were termed moderate to heavy, but demand was also steady to moderate. That's another way of saying "not bad".

Chart Points: Prices continue to be in a trading range between \$79 and \$89 on the long term charts. The lower BB support is \$80.65. Stochastics and MACD are still bearish. The December daily chart has buy signals from last week's action. The upper regression channel has controlled action and suppressed rallies since July. That resistance is at \$85.42. Support is at \$83.50.

Cattle Recommendations: We have long puts to protect 100% of cattle sales November through February 2010. ---You took profits on the long October 86 puts just ahead of expiration (10/2). The short October 98 calls and short October 82 puts expired worthless as planned (10/2 @ 0). --You rolled the long Dec 86 (10/8 @ \$3.00) puts down to the Dec 84 strike price (10/8 @ \$1.80), pocketing the difference. There was no reported volume in the Dec 88 puts, so we still have those. *****If prices are above \$84.75 in the last hour of trading, cash those out. Optionvue showed no trading volume in the 88 puts on Friday.**

Cattle Crush Spreads: ---You initiated October cattle crush spreads vs. 50% of expected October placements (9/3). ---You took profits on the October cattle crush spreads (9/29 @ \$146.46) for a net of approximately \$13.95 per head. ---You exited any long Dec corn futures held from the September cattle crush spreads (10/6). ***Exit the short cattle as well, ending the futures side of those September spreads.

FEEDER CATTLE: Higher cattle and lower corn allowed feeder futures to rally by \$.20 to \$.67 on Friday. The CME Index dropped to \$93.55, down 39 cents from the prior day. Rising corn prices continue to pressure feeders.

Chart Points: The weekly continuation chart has trendline support at \$93.35. Prices spiked it last week but closed above it. MACD is still bearish. Stochastics are oversold, but not showing any bullish signs yet. The October daily chart has pulled away from the lower BB. That offers a chance (or risk) that prices will rally to the 18-day moving average at \$95.67. Support is at \$92.35.

Feeder Cattle Recommendations:

Feeder sellers: 100% long put coverage on Oct and Nov sales and short calls vs. January. --- **You took profits on half of the long Nov 96 puts with prices “likely to close above \$94” (10/9 @ \$2.80). ***Roll the long October 100 puts down to the October 94 strike price, banking hedge gains while maintaining coverage. Optionvue shows no volume in the 100 puts on Friday.**

Feedlots: See the MPT. ---You added long November 98 calls vs. 50% of expected November placements (10/1), but only if you are not covered by the cattle crush spreads. ---You added short November 100 calls as a covered write against that position (10/5 @ \$.125).

LEAN HOGS: Profit taking and a soft ham market resulted in hog futures declining \$.17 to \$1.47 on Friday. The nearby October contract was the firmest as it stuck close to the CME Index ahead of expiration. Estimated weekly slaughter was down 30,000 head from the prior week, and 75,000 head below the same week in 2008. The lean pork cutout was up 9 cents on Friday, but still languishes at \$52.95.

Chart Points: Weekly chart support is at \$43.57. Resistance is at \$54. Last week was a bullish engulfing line on the candlestick chart. MACD is bullish, but momentum is weak. Retracement resistance on the December chart is at \$54.82. Both MACD and stochastics show buy signals. Friday was a harami, and an inside day for traditional bar charts. The main support is the 40-day moving average at \$48.55.

Hog Recommendations: See the MPT. Long rolled down October 52 puts vs. 100% of marketings. Long Dec 48 puts vs. 100% of marketings. ---**You added short Dec 48 puts vs. 50% of marketings (10.9 @ \$1.40).**

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