

Last Wednesday's Prospective Plantings report made it even harder to figure out where the tops are going to be in the grain and oilseed markets. Corn acreage came in slightly above 79 million acres—about 500,000 acres below the bottom end of the range of pre-report expectations. The fact that corn prices have gone up significantly since the survey was taken in early March would suggest that acreage will probably end up being above the 79 million acres. Corn futures have gone up about \$.40 on the basis of that piece of new information since it did, in fact, tighten the fundamental supply-demand picture and justify still-higher prices. May soybean futures recorded a key reversal top on Monday with a new contract high at \$10.64, an outside day, and a lower close with a close near the low for the day. The new crop November soybeans matched its old contract high at \$7.99 and closed down on the day with Tuesday's action in both the old crop and new crop soybeans showing significantly lower prices, especially in the May futures. The corn market shows signs that it is going to be stubborn reacting, at least partly, to the bearish action yesterday in soybeans. December corn recorded a big trading range on Tuesday with prices below yesterday's close, but the price dip early prompted some buying action and the market closed well up in the trading range for the day. Wheat is watching the weather with the first crop condition report showing weaker situations this year than last year and a significant part of the crop in poor to only fair conditions.

I'm switching to the November soybean futures in the chart with today's report because of this classic possible double-top across that contract high resistance plane at \$7.99. There is certainly no guarantee that this constitutes a top in both old crop and new crop soybeans, but the odds are probably better than 50-50 that that is exactly what we have seen with South America starting to move into harvest on a more active scale and offering an alternative source of soybeans to world buyers. On the November soybean futures, producers who were not willing to put an order in \$.02 to \$.03 below the old high at \$7.99 and sell this market should definitely monitor that now-reinforced resistance plane across \$7.99 and watch the trend line I show on the chart. If nothing gets done as the market tries to rally again, there will be a need for fairly aggressive action on a close below this uptrend line. Keep in mind as we are thinking about selling the 2004 crop on rallies to the highs or on a sell signal below the trend line that it is important that you look at your opportunities in both 2005 and 2006 at the same time. The November 2005 soybean futures traded as high as \$6.49 on Monday, and I see that as an incredible pricing opportunity on at least part of your 2005 crop. We will have two years of production to build crop size and build the stocks back up to levels that justify prices more nearly down toward the cost of production. If you are concerned about positions directly in the futures and handling any margin accounts that are involved, then look to your buyers and see if they'll offer you a cash forward contract.

Part of the rally we have seen recently in corn is due to holders of short positions buying back and even facing margin call liquidation. This December corn now has a contract high of \$3.40, and it's very difficult to pass opportunities to get more of the crop sold on rallies back up toward the \$3.40 level. Producers who would be concerned about managing margins might want to use cash contracts. I definitely would not buy put options, because a put option at or near current trading levels on the December futures costs you \$.33 per bushel for a \$3.30 put. This would mean the market would have to trade up to \$3.63 to just return the \$.33 cost of your \$3.30 put, and the chances of the market recording prices that high are small. Users of corn might want to stay on long hedges until you see more specific indications of topping action in this market or you see a close below the uptrend lines we have been showing on the corn charts across recent weeks.

July 2004 Chicago wheat is trading around \$4.20 in Tuesday's session. That is a huge pricing opportunity, and producers should finish off their pricing plans based on some reasonable expectation of yields. The July 2005 Chicago contract traded as high as \$3.97 on Monday, and I think pricing 2005 wheat with this July contract in the \$3.90's this week is absolutely the right thing to do. Follow essentially the same advice in Kansas City with the July 2004 trading around \$4.25 in Tuesday's session and the thinly-traded July 2005 Kansas City contract has shown prices this week as high as \$3.95. I

would caution producers again to sell the Kansas City 2005 contract using a limit price sell order where you specify the price at which you are willing to enter the market short and do not use an “at the market order” in a market as thinly traded as the distant Kansas City wheat futures.

Tuesday morning’s light Choice boxed beef values were at \$146.72. That is up \$3.69 from Monday morning’s activity and up from \$138.04 as recently as March 30. Cash cattle traded largely in the \$83 to \$84 range last week with mostly \$84 toward the end of the week. Limited trade so far this week is \$84 on a live basis in Texas and as high as \$136 in the beef in Nebraska. On the surface all this sounds positive, but there are some troubling signs when you dig deeper. Packers’ margins are not in good shape, and it appears they are reducing the slaughter levels in early week activity. We are seeing a huge hog kill for this time of the year. Increases in pork production would normally constrain beef prices, but the increased export demand for pork with beef being banned in some countries like Japan is pulling the pork through the channels. I suspect we will see cash activities start to develop this week around \$84 in cattle. The April futures are trading about \$3 under that level, so the question is which market is going to move to get to some reasonable basis convergence. I suspect we will see the futures run into selling pressure as they climb up toward the March 17 high and resistance plane at \$83.40. I definitely would price cattle scheduled to come out in the first two weeks of April at that level. June’s high on that same March 17 date was at \$78, and I would sell futures to forward price May and early June cattle on a rally up toward that \$78 level. My advice on feeder cattle essentially parallels what I said last week. With the corn outlook so uncertain and live cattle futures struggling, I would sell these May futures on a rally back up toward their recent high at \$88.75 which also occurred on March 17, and I would sell the August feeder cattle futures at the same time. I am reluctant to move forward unprotected in these summer feeder cattle with so much uncertainty in the corn sector.

The rampaging April lean hog contract rode the strength of growing demand in the export arena to a price as high as \$68.15 on March 29. Since that date, the market has lost essentially \$5 per hundredweight with Tuesday’s action around \$63.50. I would hold short hedges in this market until we see more signs of bottoming action than we are seeing to date on this April contract. I’ve been suggesting short hedge protection on nearby hogs and wanting to wait on the summer hogs with the July contract exploding to the upside in Tuesday’s session to a \$72.50 close.

