

The grain and oilseed markets are waiting anxiously on the March 31 Prospective Plantings Report scheduled to be released at 7:30am EST tomorrow. This report will largely determine whether the recent highs will be tops in the market, especially in corn and soybeans, or whether still-higher prices are possible. Pre-report expectations are looking for significant increases in planted acreage in both corn and soybeans. The corn acreage expected to be above 80 million acres, with the average guess at 80.27 million. Expectation on the soybean acreage is put at 74.45 million acres, up over 1 million acres from last year's number. I would think it is going to be easier for this report to be neutral to bearish than it will be for the report to be bullish.

Corn is trading higher in Tuesday's session before this important report. When I look at corn and soybeans, I think the odds of corn being able to move higher and possibly even take out recent highs are better than in soybeans. In corn, the stocks are being decreased by heavy usage levels in both the U.S. and at the world level. Stocks in corn all through the global market are tight. In soybeans, stocks are extremely tight in the U.S. but are poised around the second highest level on record at the World level. There is going to be increasing competition for the market as South America starts to move through harvest. I would hold short hedges in corn and would be inclined to take a hard look at moving the level of protection up if we see a move back up toward the contract high on the December which was \$3.17 on March 22 and 24. With Tuesday's turn to higher prices, we can also sketch a short term trend line on this market across the low at \$2.85 on March 8 and Monday's low of just above \$2.97. We have a trend line under the market and a flat resistance plane across the highs at \$3.17 and more aggressive selective hedgers should sell rallies up toward the \$3.17 level. More conservative traders and those who would be concerned about margin calls if you sell the market and it does make new highs ought to watch this newly constructed trend line that I am showing on the chart this week and be ready to price aggressively when we see a close below that trend line.

In November soybeans, the contract high is \$7.99 from March 24 and Tuesday's action is \$.35 to \$.40 below that high. If this March 31 report shows acreage around the average guess, I would sell a rally back up toward the \$7.99 high to move price protection to 60 to 70 percent of the crop. Many producers have priced product at lower levels and answered margin calls, but margin calls are always good if you price part of your crop early and then have a chance to add to price protection at substantially higher prices later in the year. I continue to reflect on the very large set of stocks at the world level and to expect some switching of where soybeans are being shipped from as South America starts to get back in as an active and aggressive exporter of soybeans, soybean meal, and soybean oil. I would remind you again that in both soybeans and corn, and in wheat for that matter, you need to take a look at the 2005 and even 2006 crops on any rally back up toward the recent highs.

In wheat, we have a rally in the July Chicago 2004 contract on Tuesday with the market trading up on the day and trading up to the \$4.10 level. At the same time we see this on the July 2004 Chicago contract, the July 2005 Chicago contract is making a run at its contract high at \$3.80. I would finish off forward pricing on the 2004 crop now at these excellent pricing levels and think long and hard about pricing 50 percent of your expected 2005 crop with that July contract up toward \$3.80. Look at doing the same with hard red winter wheat in Kansas City for the same reasons. It is not very likely we will see another year's production and still have these new crop contracts pushing up toward \$4.00.

In the cattle sector, boxed beef values for the heavier Choice carcasses had dropped from above \$142 down to the \$137 level by Monday of this week. Tuesday morning's prices show an improvement on a day-to-day basis. Hog prices and lean hog futures have continued to be strong with new contract highs recorded on Monday as the pork sector reaps the benefits of export channels for beef to important buying countries like Japan continuing to be closed. I expect cash cattle sales will develop around \$83 this week. Feedlots appear to be current as we monitor the Choice and Select price spreads and watch carcass weights decline. This nearby April live cattle contract had run up to \$83.40 on March 17, traded off to a

low of \$76.62 on March 25, and then as the cash market seemed able to hold, we've started a rally from that low. Tuesday's action looks very strong in this complex and I would certainly become a short hedger and replace short hedges or add to short hedge protection if we can get a rally back up toward that March 17 high at \$83.40. If we do have a rally back up toward the \$83.40 level in the April, we will see these feeder cattle take out the recent highs on the May contract at \$88.75 which also occurred March 17 and the recent highs on August which reached \$89.50 on March 4. This is a time when you should do your price management on these feeder cattle by watching the live cattle contract. Unless corn moves significantly after the report from the levels we are seeing this week, I think the key to the future of the feeder cattle rests in the live cattle futures and in the fed cattle market. If that April live cattle contract starts to run into trouble as we move into that delivery month before it reaches the recent high at \$83.40, you might want to not only take a look at pricing any cattle to be sold in early April and possibly the May-June cattle at the same time, but look at the late spring and summer feeder cattle for possible short hedges on that same occasion.

The lean hog futures recorded new contract highs in Monday's session reaching the \$68.15 level on the April. I have no problems with continuing to place short hedges in this market on a scale up basis. These are excellent profits for most producers during a period when we normally expect to see seasonal price weakness as the fall pig crop comes to market. Of course, the key here is that since the December announcement of BSE closed the trading channels for beef, we've seen this April futures contract come up from a low of \$53.55 on December 18 to current levels around \$65.25. That is a \$12 surge in the market with only modest corrections. I would continue to suggest you do your forward pricing in the spring and late spring contracts in the April or June contracts, but I am not excited about getting pricing done in July where we have reached the \$70 level this week. I think there is still some upside potential in this market with no catastrophic price breaks likely.

