In the grain and oilseed complex, there are two major considerations underlying the market this week. One is the continued reductions in estimates of the South American soybean crop. The highest estimate the USDA had reported earlier was 104 million metric tons, and there are now private analysts saying this crop could dip to the 95 million metric ton level and possibly even move down toward 90 million metric tons. That would change the world level ending stocks picture from the second largest on record to a substantially smaller stock level that is more in the middle of the pack compared to what we have seen across recent years. But it is still well above the very tight stocks of the 1996/97 crop year. The other broad factor underlying these markets is the rapid pace at which corn crop is going in the ground, and the move in many parts of the Midwest toward planting soybeans in the first week of May. If weather is normal this year, these early seedings will mean large crops in corn and in soybeans. Wheat prices continue to be influenced by what is going on in the corn and soybean markets, and they are also receiving a big boost on Tuesday from a forecast for relatively dry weather in the important winter wheat producing regions.

The December 2004 corn chart makes strategies relatively straight forward for both producers and corn users at this point. Some selective short hedgers in corn are looking for signals to replace short hedges having lifted those short positions around $3.00 across the lows. Other, more conservative hedgers may have little or nothing forward priced to date. There is a clear opportunity here to sell a rally up toward the high which is above $3.41 or sell aggressively on a close below the long term trend line that we can now sketch on the chart. Keep in mind that chart analysts pay attention to gaps, and analysts expect a market that is rallying back up toward gaps on the chart like the ones we see from April 12 and 13 to run into selling pressure. That is one important reason that this market may not be able to challenge the highs again. Long hedgers with the cost of corn covered should either sell and take profits as a selective hedger on a rally back up toward the high or on a close below the downtrend line on the chart, whichever comes first.

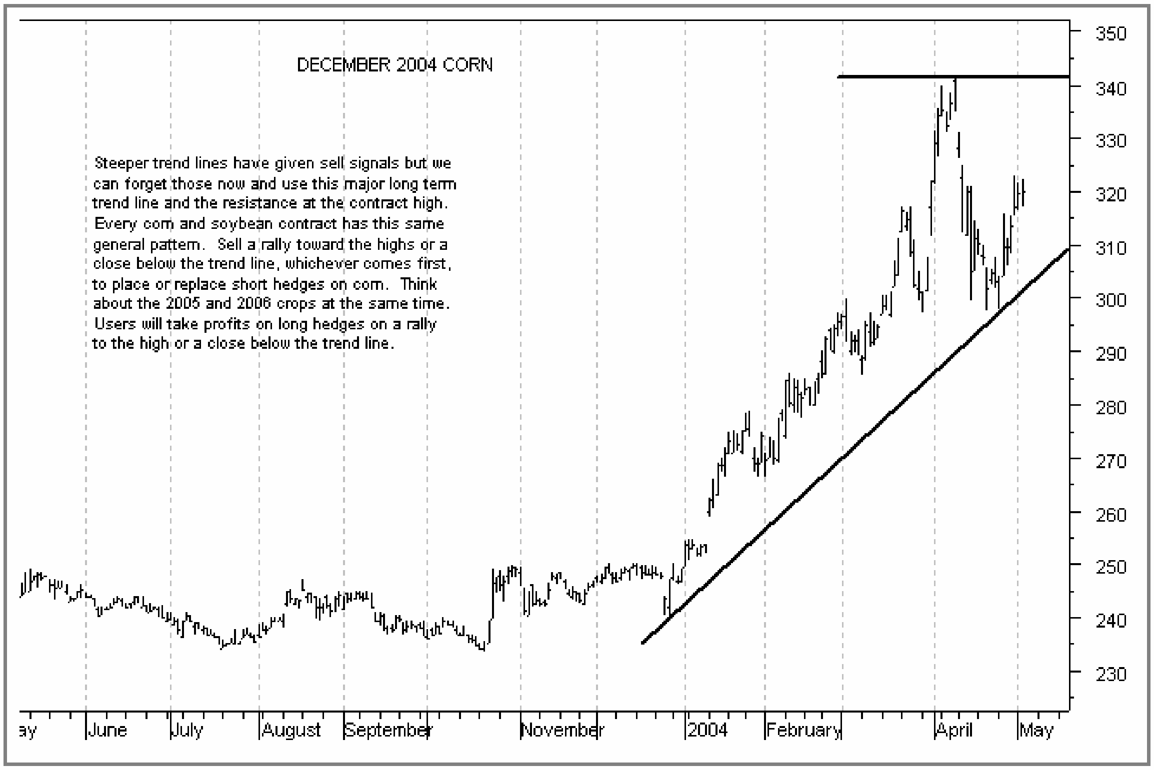
The soybean market is trying to challenge the old highs on the May futures which are still a relevant contract until we get toward the middle of the month. The contract high is $10.64, and Tuesday's prices are about $.25 below that high. On the new crop November, the contract high is $7.99 and Tuesday's trade is around $7.74. If the old crop May or July has to make a new contract high to allow November to challenge its $7.99 contract high, we may not see that $7.99 level again in the November. This market is trying to trade up through chart gaps much like those we talked about on corn. I do think we will see a challenge of the highs on the old crop, the new crop, or possibly both. I would certainly be willing to replace short hedges or add to short hedge protection on the November soybean on anything up to $7.95 or better. You can draw a resistance across the contract highs at $7.99, and sketch this same long term uptrend line that we have on the corn chart. If you are so inclined, let the market show you whether or not it can make new highs or close below the uptrend line. More aggressive selective hedgers will be interested in selling the rally toward the highs.

The July wheat contracts in both Chicago and Kansas City are staging a strong rally on Tuesday based on the forecast for dry weather. Producers may get a chance to price wheat in Chicago just under the high on the July which is just above $4.30. The contact high on the Kansas City was just below $4.35 occurring on April 5. It appears the market is going to challenge those levels again and give us a chance to finish off pricing on wheat. Perhaps most interesting here is the July 2005 wheat futures in Chicago and Kansas City which have recorded new contract highs at $4.00 in Tuesday's session. Producers who plan to produce significant amounts of wheat next year ought to take a hard look at stepping up and pricing at least half of their crop while these $4.00 price levels are available for the 2005 crop.

In cattle, the widening Choice to Select price spread is verifying the tight supplies of Choice grade cattle. Boxed beef values came into the week on a sharply higher note and were up again at noon on Tuesday. Cattle feeders are starting to talk about $89 to $90 cattle this week. Last week's trade closed out in the

$85 to $87 range, and there are probably going to be somewhat higher prices this week, but we may not reach the $90 level just yet. The number of cattle approaching slaughter weights in the feed yards is continuing to grow, and there is some question with the uncertainty about export channels, etc., whether or not grilling demand in this country will support still-higher prices. All this is pushing the June live cattle contract higher, and I have thought that contract was too low and was willing to wait and see to what extent it had to trade up to reflect a higher cash market. Sellers should step back from this market and let it run to the top side as it makes new contract highs. When we get a correction off those highs, and that is likely to start within the next few trading days, we will then be able to hook the low at $77.90 which occurred on April 26 and the low of the correction we are still waiting for to give us a functional trend line. We are likely to see an opportunity to sketch resistance across the contract high and then a trend line under the market as a correction to the downside occurs. We will then be in a better position to know when short hedges should be placed or replaced in this market. Follow the same approach on August feeder cattle. This market is not quite as strong as the live cattle contracts, but a test of the $100 level here is imminent with the high in Tuesday's session on the August contract at $99.90. Let this market move up and then correct to the downside and give us a chance to work our trend line mechanics to help us know when the market has topped and when short hedges should be placed. Producers holding long hedges in this complex, and I was recommending long positions some time back in summer feeder cattle, should wait and let the market give us topping formations or trend line configurations so that we can get sell signals to guide when profit should be taken.

The lean hog market continues to look strong with July making new contract highs. The June contract has a contract high of $76.47 which occurred on April 12, and Monday's activity was within $1.00 of that contract high. Tuesday is a down day with the June close down $1.00, but this market will try to rally again. If excellent profits are offered, producers might want to think about selling a rally toward that $76.47 high as an aggressive approach to selective hedging. We have long term trend lines on this chart that could hook to the low at $71.65 on April 21. The more cautious producers might want to wait for a close below that uptrend line before placing short hedges. Pork production continues to run well above year-ago levels, but prices are strong. I think again there is significant help coming from increased demand for pork in the export arena, especially in countries like Japan where beef shipments will not be allowed until probably sometime toward the end of the calendar year.


DECEMBER 2004 CORN
Steeper trend lines have given sell signals but we can forget those now and use this major long term trend line and the resistance at the contract high. Every corn and soybean contract has this same general pattern. Sell a rally toward the highs or a close below the trend line, whichever comes first, to place or replace short hedges on corn. Think about the 2005 and 2006 crops at the same time. Users will take profits on long hedges on a rally to the high or a close below the trend line.
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