

The soybean market is trying to rally toward price levels we have identified as first objectives for pricing actions. There are a number of past highs and resistance at those levels on the March futures moving back up toward the \$5.65 high in late November. Exports last week were better than expected and there is talk of dry weather in South America but that crop is still expected to be record large with acreage up significantly to offset any yield problems. It appears much of the recent buying in soybean futures is coming from short covering by trading funds and short covering rallies are not sustainable over time. But I would certainly look to sell old crop product and take a look at price levels on the new crop November futures if the March can approach that \$5.65 level. Put your sell orders around \$5.61 or \$5.62 on the March or look for cash sales when the March reaches those levels. You increase your chances of a fill if you put sell orders below the old high by a few cents. The \$5.60 level would be a \$.65 rally since the recent lows dipped below \$5.00 on this active March futures contract.

The corn market is struggling to sustain any rally at all. If the soybeans can climb a bit higher, we have some chance of seeing a rally toward the November 17 high at \$2.19 on the March corn futures. There will be resistance at lower prices on any rally, but that would give us about \$.20 to the upside and a chance at respectable prices if you want to sell some old crop corn. For new crop, I doubt that such a modest rally will stimulate much selling interest and would be inclined to wait for better opportunities. If you have long hedges on the March and later corn contracts and are comfortable with being a selective hedger, I would take profits on those hedges on a rally toward that \$2.19 level on the March with the expectation that this market will back off that level to lower prices and allow the long hedges to be replaced at still better prices.

The wheat charts look like the corn and soybeans. On the July Kansas City, there is a December 27 high at \$3.35 that would be my first objective to sell wheat and add to price protection on the 2005 crop. It will not be easy to reach the \$3.35 since there are highs at somewhat lower prices, but that \$3.35 high is such an obvious resistance point on the chart that we may be able to approach it. Much depends on weather in the Southwest and what happens to corn and soybeans. I show the July Kansas City contract this week.

The livestock and meat market is showing little change in the Tuesday session. Choice boxed beef values are near \$145, a bit below levels early last week. Limited early week sales in Kansas are showing \$90 and Nebraska and Texas have sold some cattle on the rail at the \$144 level. The March 7 date for the Canadian border to be opened is still being discussed in this market and in the face of that uncertainty, the markets are holding well. I would hold short hedges on February as long as you can and lift them as cattle are sold. If the April contract can rally from the \$87 level on Tuesday up to \$89 or better, I would place short hedges on the April in the face of the uncertainty about the Canadian issue. Wait on the June and later contracts. We will see better prices in June than the \$82.50 levels in Tuesday's session.

Hold long hedges on the March and summer feeder cattle. The feeder cattle market looks strong, and beef movement will pick up as we approach the outdoor grilling season. The longer term look is positive with the herd building starting to happen and corn looking cheap as far as I can see into the future. In this environment, I am basically going to want to be on long hedges in feeder cattle.

Weighted average hog prices are in the \$63 to \$64 range, and the February has dropped more than \$10 from its \$77.70 contract high to the \$67 to \$68 area. Cash prices could come under more pressure into March as the daily slaughter levels increase on a daily basis but this February contract is not likely to show any major move. When you look out to the summer contracts like the July, we see a contract high of \$75.40 and a trend line under the market hooking the December lows to the lows of last week. I expect this market to make new highs but would monitor and be ready to place short hedges if we see a close below that trend line.

