

It has been weeks and months since we have seen movement in the grains and oilseeds like the movement we are seeing in the Tuesday session. It is dry weather in South America and soybean rust in Argentina that is fueling the rally and soybeans are leading the way. Corn is just along for the ride but wheat has some momentum on its own and is trading sharply higher.

I had expected the November 23 high at \$5.65 to be tough resistance for the March soybeans but the market pushed above that level early in the Tuesday session. That run through resistance on the March carried the new crop November as high as \$5.93. I would definitely be a seller and a placer of short hedges in the November at \$5.90 or better. I do not expect to see this market carry higher during the week since much of the buying we are seeing appears to be shorts buying back and covering short positions. The huge set of supplies and stocks that was so bearish a few days ago are still there and we are not likely to see enough dry weather in South America to change the price outlook for soybeans very much.

Last week, I looked at the July Kansas City wheat chart and the late December resistance near \$3.35. This short covering rally may push the market back up toward that price level and new crop wheat should be hedged whether in Kansas City or in Chicago. I watch the Kansas City this time of year since it is more likely to get exposed to weather rallies with the variable weather in the Southwest. I did not expect to see this opportunity within a matter of a few days but it is before us and producers should take advantage. As a selective hedger, I would sell a volume to largely match your expected crop since we would expect the market to correct to the downside again before a rally is resumed. If you are doing your pricing in cash contracts, act when the July KC approaches the \$3.35 level and price about 35 percent if you have no pricing in place, or move up to 50 percent if you have part of the crop priced from the high priced period last year about this time.

Corn is moving in sympathy with soybeans and wheat, and this market is likely to run out of momentum to the upside first. The March futures are running into selling just under the December highs near \$2.10 and the December highs around \$2.40 are stopping the new crop December 2005 crop. If we can see another 10 to 15 cents and the December can move up into the \$2.50s, I would add to price protection with short hedges in the December but I do not expect to see those price levels. The rally in soybeans and in wheat will quit before the corn can get that much help from the other two commodities. Users of corn should hold long hedges. I would not get too cute here and try to trade in an out of long hedges as a selective hedger on 10-cent moves. It is very hard to be that good.

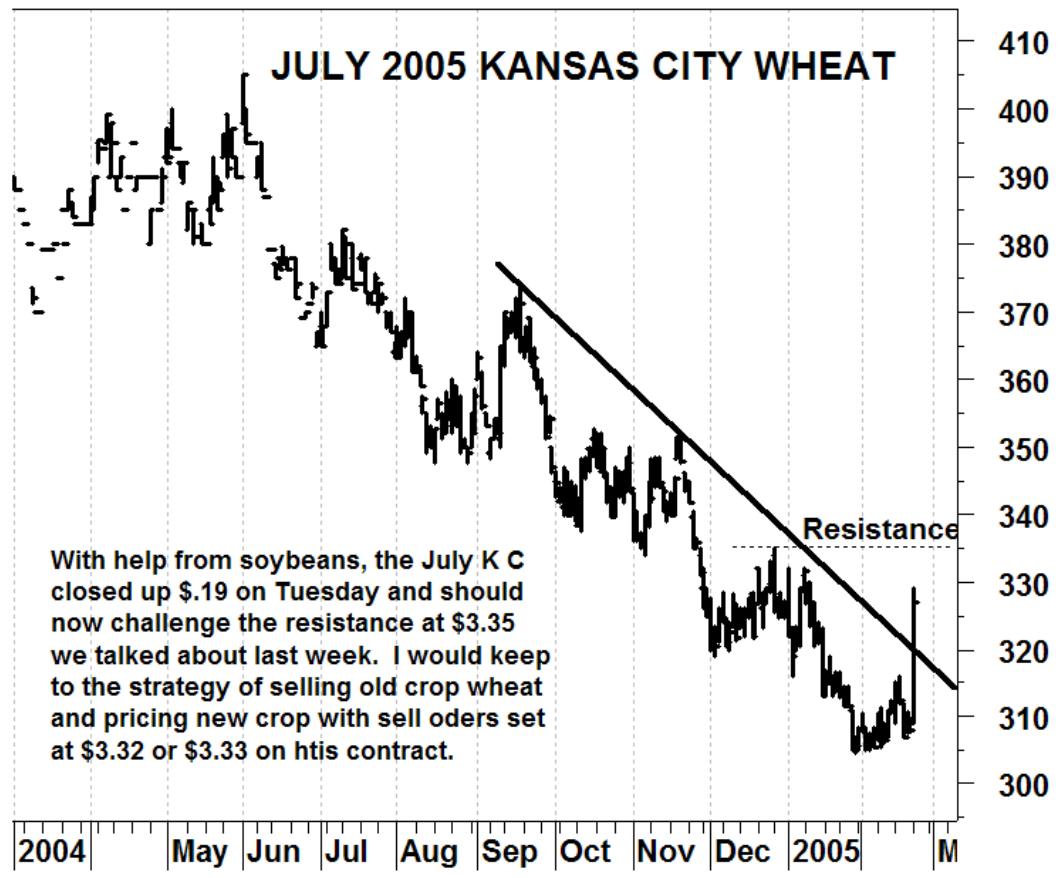
Fed cattle prices were \$87 to \$88 late last week and early week trade on a very limited basis is at those same general prices. Choice boxed beef values that were in the high \$140s a few days back are below \$140 and still declining in early week trade, so the packers' margins are being pressured. They will buy cattle cheaper to correct that margin picture if they can get them cheaper, but feedlots may be reluctant to go along until late in the week. The Cattle on Feed report last Friday was bullish with the on feed count and the placement number both below pre-report expectations. Tuesday's futures prices are not showing as much positive response as I expected. The Canadian border opening is still hanging over

the market and the boxed beef weakness is making the packers reluctant buyers. I have been advocating short hedges in the nearby cattle and waiting on short hedges in the June and later cattle and that is still my posture this week. If the June rallies to the late October contract highs at \$84.50, we can review the hedging decisions but I still see some upside to that market longer term. The year to year increase in the demand index for beef was much smaller in quarter 4 than in earlier quarters and that is part of what we are seeing in the market right now. We are not getting the boost from increasing demand that we were getting last year at this time, but I do expect demand to continue to grow in the future if we can continue to see new and convenient quality controlled products hitting the market.

March feeder cattle have dipped to the \$98 level and below during Tuesday trade. If you need to buy light cattle in the spring, this is another chance to buy the March and place long hedges. This market has not been able to hold all the price appreciation it has achieved, but I like long positions here and in the August contract as well.

February lean hog futures are closing around \$67, some \$10 below the recent \$77 highs. The summer contracts have seen none of this price decline with the fundamental picture that shows no expansion to speak of supporting the summer and late-year contracts. The July contract has a high from January 21 at \$74.50. There will be major selling as we approach that high and since we have spent weeks in a sideways pattern just below that level, I am now more inclined to suggest selling a rally to that level vs. waiting on a trend line hooking the mid-December and early and mid-February lows. If you are a bit more bullish and feel this market can make new highs, then let it see what it can do and only place short hedges if the market fails and we see a close below the trend line.

JULY 2005 KANSAS CITY WHEAT



With help from soybeans, the July K C closed up \$.19 on Tuesday and should now challenge the resistance at \$3.35 we talked about last week. I would keep to the strategy of selling old crop wheat and pricing new crop with sell orders set at \$3.32 or \$3.33 on htis contract.