

The March 19 USDA reports brought changes. The 04/05 ending stocks for corn increased 45 million bushels to 2,055 million reflecting a 50 million bushel decrease in projected exports. Ending stocks for wheat at 553 million bushels were down 5 million. In soybeans, ending stocks in the U S dipped from 440 to 410 million reflecting a 35 million bushel increase in export projections. At the world level, the ending stock estimate for 04/05 dropped from 61.35 million metric tons (mmt) in February to 55.98 mmt reflecting the widely publicized weather and yield problems in South America. But the 55.98 mmt ending stock estimate is still 38% above the prior recode of 40.65 mmt in crop year 02/03. Overall, I see the report confirming my posture that the soybeans are too high and that we should treat this recent price surge as a chance to sell old crop and to get the new crop soybeans forward priced.

With the November soybean futures surging again in Tuesday trade, we need to review the commentary and the chart from last week. I was expecting a correction to the downside and we have not seen it yet. The brief consolidation we saw last week is not enough to call a correction. I show on the chart this week using solid lines what I expect to happen and one could argue that there is no reason to sell this bull market until we see a correction and draw in a trend line. Then we call sell a rally back toward the 2005 high or a close below the trend line if that comes first. An attaché in Argentina says the crop there might be down 3% but that is not enough to justify all these high prices. The market is being pushed up with new money coming to commodities and let's let that run its course and not fight it. Note and review the ending stock numbers cited above. The ending stock estimate will have to decline by 15.33 mmt to get back down to the prior record and that takes a dip of some 563 million bushels, or 15 to 20 percent of the expected South American crop. That is not likely with the weather damage now coming to a close and little chance for still further significant damage.

The soybean complex is pushing K C July wheat up toward its September 17 high at \$3.73. I would sell this market aggressively as it moves above the Tuesday high of \$3.70 and up toward the \$3.73 level. There is no comparable September high above current price on the July Chicago so I would key off the Kansas City and sell soft red winter wheat in Chicago when the K C July approaches \$3.73. Move up to all the price protection you need. This is an excellent and profitable forward pricing opportunity.

Price advances in corn are less robust. The December has taken out its early March high of \$2.44 with the surge in soybean prices in the Tuesday session. There is a legitimate trend line on this chart hooking the February 9; low near \$2.27 and the March 8 low at \$2.33. With this wild move up in soybeans, we need to be careful in corn as well and let the market run to the upside with the trend line as a safety net. If the December corn can challenge the August highs near \$2.66 then I would sell to place short hedges and to take profits on long hedges. But I do not think the soybean complex will fight the bearish fundamentals and go up enough to pull corn up another \$.20. I think, therefore, that we are in a mode of letting the market climb as high as it can and being ready to place short hedges and take profits on selective long hedging programs when we see a close below the trend line.

The court ruling to block the opening of the Canadian border as scheduled on March 7 has injected huge uncertainty into the cattle markets. The April live cattle futures had been as low as \$85.35 on March 2 and then surged after the court action to \$92.25 on March 9. Current prices are well off those highs and we have seen a similar pattern in the June futures. I would sell the April to place short hedges on a rally back to the March 9 \$92.25 high and sell the June on a rally toward its March 9 high at \$87.70. I do not think we are ready to hold a \$90 market even with the border still closed and in spite of the limited trade we have seen this week as high as \$93.50. There continues to be talk of lagging demand in the institutional market even though the demand index for the fresh beef market shows a modest increase in quarter 4 compared to quarter 4 of 2003. Boxed beef values for the Choice beef are back above \$155 and that will leave the packers some room to pay better prices for cattle. It is a nervous and uncertain market and I would react by being a seller on rallies to the recent highs.

Take profits on long hedges on March feeder cattle around the \$106.40 high from March 9. Still higher prices would need better prices for the summer and fall live cattle futures and/or still cheaper corn. If you had moved out and placed long hedges in the summer in the August contract, look at taking profits on those positions around its March 9 high of \$106.00. I do not see a reason across the next several weeks for these contracts to trade up and hold new contract high.

Hold short hedges in April lean hogs. That contract is now below the February lows around \$72 and is headed lower. The next support is around \$69 across the December lows. Bigger than expected weekly slaughter levels have put pressure on the cash market and on pork prices in this complex, and the profitable prices we have seen for months will eventually bring some expansion. You have an obvious uptrend line on the June futures and June hogs should be hedged on a close below that line or a rally to the highs near \$82 on March 2, whichever comes first. Note the October contract is over \$15 below the \$79 on the June. We could see both seasonal and cyclical supply pressure on the October and producers should look at short hedges on a rally to the highs near \$65. This contract was near \$50 last summer before the continued growth in exports to Japan in the face of the ban on beef brought new demand and higher prices to the pork complex. If the beef ban is lifted by summer, we could see major pressure on the fall and winter hog contracts.

