

The overbought grain and oilseed markets started to give up some of the lofty prices late last week and the selling accelerated in Monday's session with soybeans down 20 cents. Corn was down as much as 5 cents and Chicago wheat saw price declines as much as 14 cents. These price declines are creating the scenario that I talked about last week and demonstrated with the November soybeans chart. On March 15, the November soybeans traded as high as \$6.50 and flirted with the life of contract high at \$6.505 from back on May 12 of 2004. Facing an extremely bearish year, with no fundamental support for prices that high, the market ran into a horde of sell orders near \$6.50. At the contract highs, producers were selling to place short hedges and every speculator in the world who has been paying any attention to this market was also a seller. Add the selective long hedgers who were selling to take profits and the speculators who were long from lower prices who were also selling to take profits and I wonder who bought at \$6.50. It has to be someone who has never looked at the November chart and is caught up in the "they are going to \$10.00 for sure this time" syndrome. July Kansas City wheat rallied to the \$3.70 level and approached the highs from last fall and ran into the same storm of selling. December corn was able to approach the \$2.50 level before the selling turned the market lower across the past 5 trading days.

Producers who did not take advantage of this outstanding and totally unexpected to me surge in soybeans now need to step back and be patient. By the end of this week, we are likely to see the downward correction approaching its end and the market will rally again. Look at the chart this week and expect to see a correction end in the area of A on the chart and when that happens, sketch a trend line across the February lows and across the low that is left after we see a new rally start. With that trend line in place, look for this market to rally again. The bulls are not dead, they have just been wounded. If they can take the market higher in the face of huge record ending stocks at the world level, they will find a reason to buy this market again. If November approaches the \$6.50 level again, and I don't think it will get that high, sell it aggressively to price the 2005 crop. If the market falters well below the \$6.50 highs and closes below the uptrend line, then place your short hedges on that sell signal that will be seen around the world. Use the same trend line approach in wheat when it completes its downward correction and sell a rally back to last week's high or on a close below the trend line whichever comes first.

The trend line on the December corn has already been taken out by a close below the line. The March 31 Prospective Plantings report is expected to show 2-3 percent increase in corn acreage and a 2-3 percent decrease in soybeans and wheat. Corn has struggled in front of this reality. If you have short hedges in place, including short hedges placed in the spring of 2004, look at taking profits as a selective hedger on any dip toward the contract low on the December which is near \$2.27. Any users of corn who do not yet have long hedges in place, use such a dip in the December to signal the time to pull the trigger and spread long hedges through the 2005 calendar year in the various futures contract months.

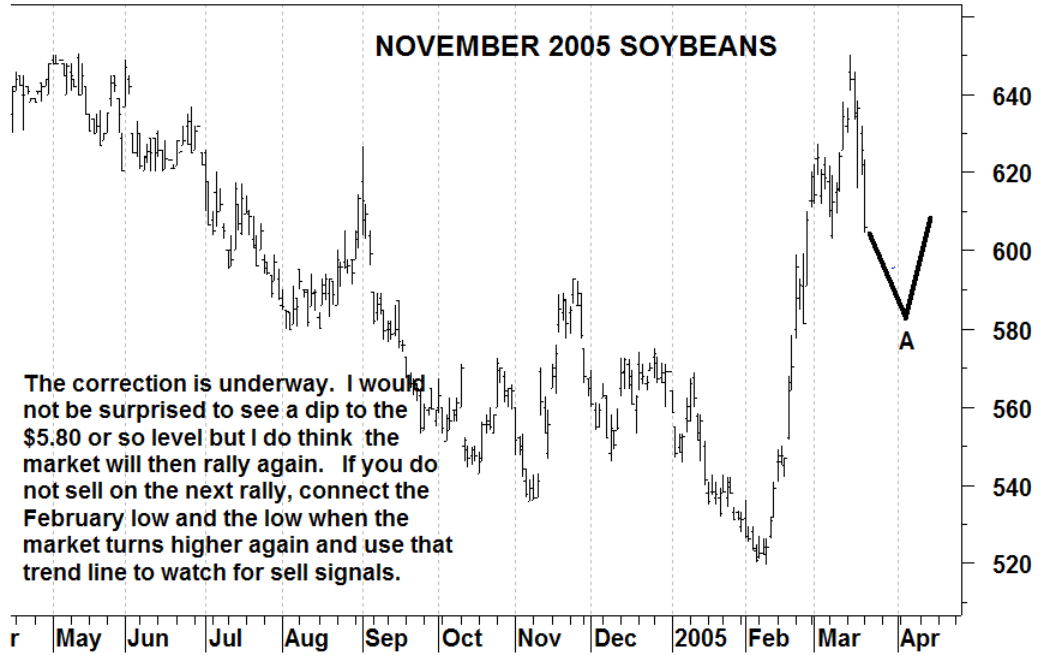
I saw last week's cattle on feed report as bullish but the market did not show much reaction. The placement figure was below last year and below the bottom end of the pre-report estimates but marketings were also below last year's levels. Boxed beef values are

down to the \$154 area for Choice boxes, off some \$4.00 from March 16 levels above \$158. Year to date beef production is running 2 to 3 percent below last year, and per capita supplies and consumption will be down more than that if this pace holds. Many have predicted beef production will be up this year, but I have thought that was unlikely as we start to build the cow herd and take some heifers out of slaughter. Cash prices were in the low 90's last week but I am not sure we can hold those levels. Sell the nearby April live cattle futures to place short hedges on any rally above \$90 and use the trend line hooking the October and February lows as backup protection if you do not get the rally to \$90----and we may not see that price again on the April. Place short hedges on a close below the trend line if that happens first.

The contract highs on the May and August feeder cattle futures are \$105.40 and \$106.00 respectively. Take profits on long hedges on rallies toward those highs and if you have cattle to sell, look at short hedges on the rallies. On both contracts, we may see a drifting down from current levels above \$104.00 on the May and then a brief rally which would allow us to place uptrend lines on the charts and have a backup sell and short hedge strategy if the highs are not challenged again.

Cash hog prices are near \$67 on a weighted average basis. Thursday's Hogs and Pigs report will set the tone for the rest of the year. With the October hogs trading near \$64, producers carrying lots of debt should look at short hedges to protect against any signs of expansion that show up in the report. These reports are hard to predict and if the report is a surprise, it is more likely to be a bearish surprise than a bullish surprise. A look at short hedges in second half hogs is in order. And with June futures up close to \$80.00, look at hedging those hogs as well while the prices are still excellent and returning profits of up to \$50 per head depending on production costs.

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The correction is underway. I would not be surprised to see a dip to the \$5.80 or so level but I do think the market will then rally again. If you do not sell on the next rally, connect the February low and the low when the market turns higher again and use that trend line to watch for sell signals.