

I always watch two futures contracts, the nearby and the later contract that will be used to forward price. Recent action on the soybean futures confirms the wisdom of this approach. I left the March soybean on March 1 and shifted to the May. Often, the nearby such as the May will move quicker on a rally and encounter resistance before the new-crop November. If the November highs near \$5.70 on the May futures were not to be enough resistance to stop the rally coming from South American weather, then the next obvious past high that would house selling resistance is at the September high of \$6.58 on the May contract. But the market never reached the \$6.58 area, and the failure was due to what was happening on the November. The market reached and exceeded the September 1 high of \$6.265 on the November contract with a high of \$6.275 on March 2. The different contracts are linked to an extent, and to reach the September 1 high on the nearby May would have required the new crop November to take out the September 1 high. But the hedge selling and profit taking selling by long speculators in the November was too much and the market turned lower on Monday and then shows signs of some gains on Tuesday. Improving weather in South America, especially in Argentina, was surely a factor in the turn down and the steep rally has been stopped at least for the moment. I show that November chart this week since it is an excellent example of technical analysis and how it can help us in a selective hedging program. This market will correct to the downside, find buying support well above the low of \$5.01 on the November contract from early in February, and then rally again. When it rallies, draw the trend line under the early February low and the new low when the correction is done and the market turns up again and then we have a choice: sell a rally back toward that \$6.26 to \$6.27 area or on a close below the trend line it that comes first. I would prefer to sell the rally here and I would put limit price sell orders on a GTC or good until cancelled basis in the low \$6.20s to help ensure getting a fill. This market does not need to be above \$6.20. The very bearish price picture with world level ending stocks recently estimated at more than 50% above the prior record is largely still present and the damage to yields in South America will still leave the stocks estimate at record levels. And keep in mind that the one thing that tends to bring acreage back to soybeans is a sharp rally in soybeans relative to the price prospects in corn, and that is what we have seen.

The May corn closed at about \$2.13 on Monday. This market is headed back to the \$2.05 to \$2.10 area with a contract low on the May from early February at \$2.02. This is a chance for all of you who need to place long hedges to cover corn costs in dairy, poultry and livestock programs but have not been willing to pull the trigger to take action. Get the long hedges placed out through the year. We have just seen an example or what a modest weather crisis in another country can do to the soybean markets and this can happen to a smaller extent in corn, no matter how big the acreage intentions are in the late March Prospective Plantings report. Producers with short hedges in place from last year might look at buying those short positions back on a dip toward \$2.02 on the May contract which I am now watching to get my signals. We have a contract low in place at \$2.02 and I do not expect to see 2 consecutive closes below that level which would mean still lower prices are likely. It is too soon, I think, for that type of extremely bearish action to occur in corn.

July Kansas City wheat futures reached \$3.47 within the last 5 days and are well off that high with a close near \$3.34 on Monday. July Chicago wheat reached \$3.52 and closed at \$3.38 on Monday. The rally in this market was more in sympathy with what was happening in soybeans than a rally based on improving wheat fundamentals. We are fortunate to get the rally and I hope most of the wheat is now priced. I would have been selling into this rally to place short hedges well off the recent rally highs. If you still have not acted, reread the advice on waiting for a trend line in the earlier discussion on soybeans. We will see the same patterns here. The July Chicago is likely to correct down toward the \$3.20 to \$3.25 area before it rallies again and when it leaves that correction low, we can hook it and the mid-February low near \$3.06. Then, sell a rally to the recent highs or a close below the trend line if that happens before the recent highs are challenged.

The courts are in charge in the cattle markets right now and it is hard to offer advice in this type of environment. I have been bullish on cattle, live cattle and feeder cattle futures, and perhaps we can just look to what has happened and stay off short hedges on the live cattle contracts starting with June and beyond and stay on long hedges in the feeder cattle, both the March and the August. With the federal court action blocking the scheduled opening of the Canadian border on March 7, it may be months before the border issue is resolved. If by that time we have seen beef shipments to Japan starting again, we could see fed cattle prices in the summer months near \$100 again, perhaps even higher. But if the Canadian border is opened and there is a reserve of cattle ready to come into the U. S., then we could see prices pushed down again. It is a difficult time to be trying to read these cattle markets.

The July lean hog futures continue to make new highs with a Monday close near \$78. Keep the mid-December and the mid-February lows hooked with an uptrend line and let this market go until it makes a new high and then corrects to lower levels. A modest correction may not bring prices low enough to give a close below the trend line, but it will leave us in a position of selling a rally back to the contact high or a close below the trend line, whichever comes first. This market is strong and higher prices will be supported by cattle so long as the Canadian border stays closed.

