Market Report – March 21, 2006

CORN futures on the CBOT sank lower amid fund selling and news of new moisture for the U.S corn crop. The MAY'06 contract finished the day 3.2¢/bu lower at $2.182/bu while the DEC'06 futures closed at $2.504/bu, down 2.6¢/bu. Traders said fund selling totaling over 18,000 lots cast a bearish tone over the market. News of winter storms distributing snow and rain improving production prospects for new crop corn also weighed on the market. Other factors providing downward momentum were spillover effects from sharp drops in Chicago and Kansas City wheat selling and news that Japan and China would not be importing corn anytime soon. Even though South Korea tendered an offer for 180,00o tonnes (7+ million bushels), Japan and China were noted as unlikely to make near-term purchases amid reports of a Japanese BSE case and bird flu concerns lowering feed demand. It should be noted that the U.S. Administration went on record on Monday stating that bird flu would most likely be detected in the United States this year. Cash basis bids for corn were mostly steady to firm early Monday due to a lack of farmer sales. Friday's CFTC Commitments of Traders report for futures and options combined showed that as of last Tuesday, large speculators increased their long positions by 1,225 lots to 236,751 contracts. Short positions were also noted up 6,900 lots at 87,157. The DEC'06 corn futures chart has been featured for 3 weeks now. Last week it was noted that the measuring objective coming out of what seemed to be a nice head and shoulders formation was placed at $2.474/bu. With the DEC'06 contract closing today at $2.504/bu that measuring objective doesn't seem so far fetched now. In light of recent developments it will be a surprise if the DEC'06 corn contract does not reach that objective within the next few days. When making pricing decisions and considering the amount of crop to price, it is good to know production costs in order to set marketing goals. At these price levels it is okay to price up to 50%-60% of the crop to cover cost or production. Additionally, crop insurance can be purchased in case uncontrollable environmental forces sharply reduce crop yield. Using that strategy, at least the cost-of-production can be covered "hedging" against economic loss. One other interesting note, a grain merchandiser was in the office this week and said that most grain buyers will work with any farmer to get the grain into his (the merchandiser's) bins. After all, he said, "We don't want to cut our nose off to spite our face now do we?" He suggested that in the case of a short year on the farm when yield does not meet the contract amounts, the farmer that is short almost always knows someone with un-priced grain in their bins. He then suggested that the farmer who is short could work together with the farmer with the un-priced grain to get that grain priced at a level that could benefit both the farmers and the grain buyer. The 2005 corn crop should be long gone. Last week it was recommended that cash sellers be forward priced in up to 50% - 60% of the 2006 crop also pricing 20%-25% of the 2007 crop. That advice still holds.

SOYBEANS on the CBOT traded in a tight, slightly downward-drifting pattern on Monday. Both the MAY'06 and NOV'06 bean contracts started the day up on a technical bounce only to finish down for the day. The MAY'06 closed at $5.724/bu, down 4.2¢/bu and the NOV'06 closed down 4¢/bu at $6.012/bu. Soybeans closed lower despite technically oversold conditions. The 9-day RSI for the MAY'06 contract closed at 32 amid light volume and a lack of news. One indicator of an oversold market is an RSI near or below 30. The fundamental picture for soybeans remains bearish. Record large U.S. stocks amid lagging export pace, worries about feed demand as bird flu spreads and improved moisture for the new crop all hung over prices. USDA reported that 16.9 million bushels of soybeans were inspected for export last week, compared to estimates for 18-24 million bushels. The export pace for this year is down 185.4 million bushels from a year ago. Friday's CFTC trade data showed funds expanding their net short positions in CBOT bean futures/options to 11,200+ contracts as of March 14. Basis for soybeans in the Midwest was firmer due to slow farmer selling. After opening steady to slightly higher, opening bids for soybeans in the Mid-Atlantic region sank as much as 4¢/bu in some places. Hopefully the '05 crop is long-gone. Those who are waiting on $6.00/bu beans for last year's crop should move them out at current prices as $6.00/bu is no longer expected to be available. Cash sellers should consider having up to 50%

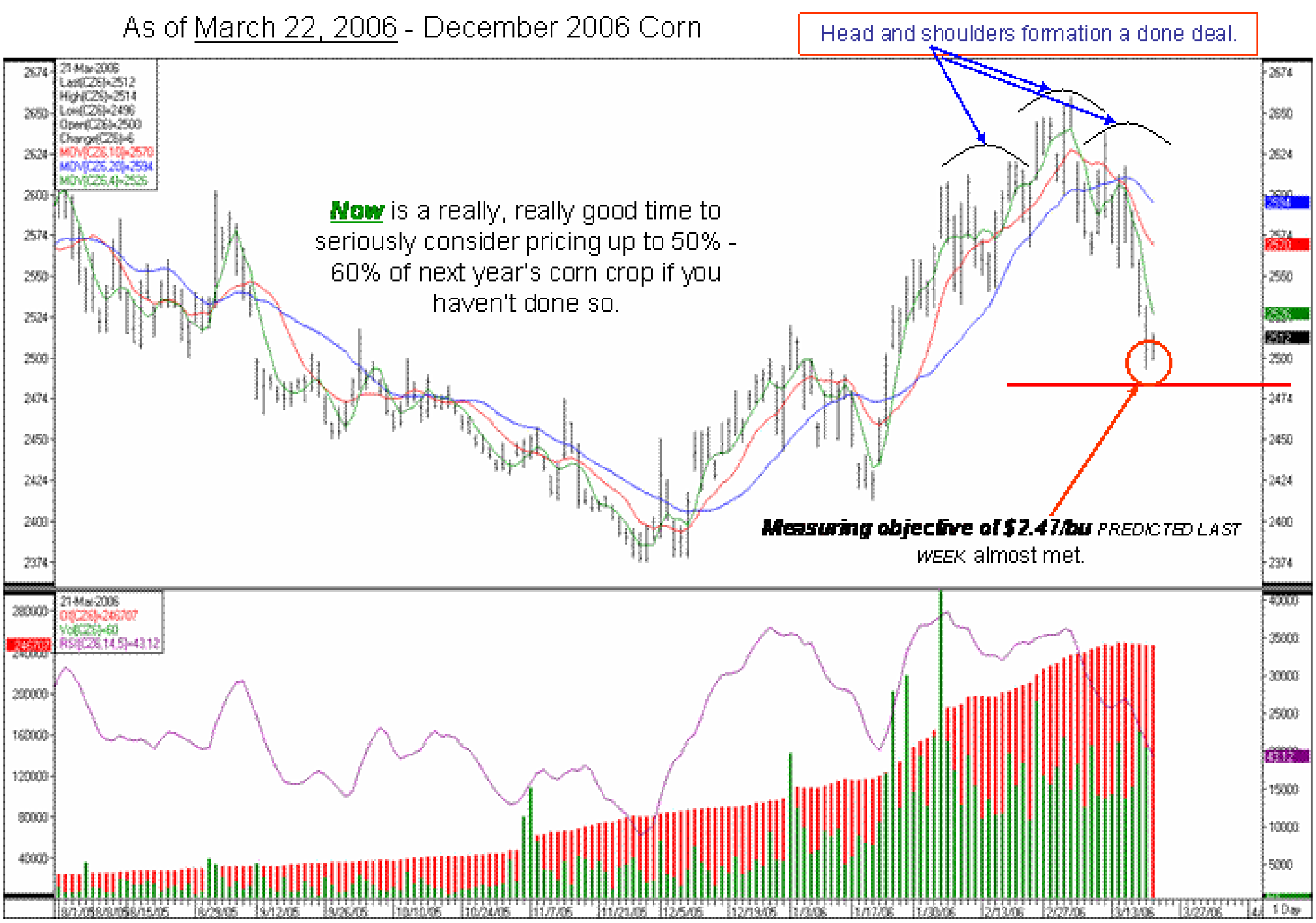
of the ’06 crop priced at this time. Hedgers should maintain short hedges on up to 50% of the crop as well.

WHEAT futures on both the Chicago Board of Trade (CBOT) and in Kansas City (KCBT) closed down a range of 7¢/bu – 9¢/bu in both markets. At the CBOT the MAY’06 and the JULY’06 contracts finished down 7.2¢/bu and 7.6¢/bu at $3.502/bu and $3.622/bu respectively. On the KCBT, the MAY’06 and JULY’06 wheat contracts finished down 7.6¢/bu each at $4.136/bu and $4.146/bu respectively. Wheat was pressured by greatly-needed rain in U.S. wheat growing areas. It was noted last week that a weather market is always risky and a market rally was not expected. Heavier snows and rain over the past few days have helped production prospects for the ’06 crop. Funds sold 4,000 – 5,000 lots as Sell-stops in the CBOT MAY’06 were placed at $3.51/bu and $3.48/bu. The market is technically oversold with the 9-day RSI for the MAY’06 contract staying around 29. Exports were bearish as Jordan announced it would buy 300,000 tonnes (1.1 million bushels) of wheat from Syria and Japan skipping its weekly buying activity for the rest of March. Weekly export inspections for last week were disappointing at 14.2 million bushels vs. estimates for 17 – 21 million bushels. Trade data from the CFTC on Friday showed funds cutting their net long positions in CBOT wheat future/options to just under 13,100 lots as of March 14. Cash sellers should now consider pricing up to 55%-60% of the ’06 crop.

LIVE CATTLE futures on the Chicago Mercantile Exchange (CME) ended higher on Monday with hedge lifting from increased cash sales and short covering to offset further fund selling. The JUNE’06LC contract met technical resistance near the day’s high of $78.55/cwt with the APR’06LC meeting resistance at Friday’s high of $83.90/cwt. Rain on the Plains keeps boosting futures. The APR’06LC contract closed up $0.325/cwt at $83.35/cwt with JUNE’06LC futures up $0.25/cwt at $78.125/cwt. Snow on Monday provided some support as some thought it contributed to a light cattle slaughter slowing cattle marketings further in Colorado, Nebraska, and Kansas. USDA estimated Monday’s slaughter at 100,000 head, down from 114,000 a week ago. Technical factors and fundamentals provided overhead resistance. Traders continued to note concerns of record large supplies of fed cattle in feedlots nearing market weights even though choice beef was up $0.21/cwt at $142.21/cwt according to USDA. Recent beef vulnerabilities pushed packer margins deeper into the red. The average beef packer cutout margin for Monday was a negative $20.00/cwt, down from a negative $13.05/cwt on Friday and down from a negative $17.70/cwt a week ago, according to HedgersEdge.com. The latest CME feeder cattle index for March 17 was up $0.20/cwt at $102.98/cwt regaining $0.70/cwt since posting a one-year low on March 14. Hedgers lifting profitable short positions in the APR’06LC and JUNE’06LC contracts should watch this market from the sidelines taking profits in the cash markets.

FEEDER CATTLE at the CME MAR’06FC closed up $1.150/cwt at $105.625/cwt with the APR’06FC closing at $106.90/cwt, up $1.25/cwt. The MAY’06FC finished at $106.975/cwt, up $0.775/cwt. Both the April and May futures contracts set two-week highs as they paced gains in the cattle pits.. Rain and snow fueled buying in feeders as it was expected that pastures would be encouraged to grow amid increased demand for feeder grazing. Increased movement of feeders to feedlots was expected to slow. Feedlot supplies as of March 1 were projected at the record for that date. Fed cattle in 1,000 head capacity feedlots were estimated in a range of 106.5% – 108% of last year. February placement estimates ranged from 98% – 105% of last year and February marketing estimates ranged from 96.9% – 100% of last year. Additionally, lower corn and wheat prices were price supportive. The CME index for feeder cattle for March 16 was placed at $102.78/cwt, up $0.38/cwt. It was noted that a 14-day RSI, and the 4-day,10-day, and the 20-day moving averages headed in the same direction amid current fundamentals in place, upside potential was seen for beef due to fund activity and fears of bird flu pushing more people to reduce poultry purchases. This has been the case. Feeder cattle sellers with an eye on the markets to take advantage of any upside moves should have lifted profitable hedges and continue in the cash market at this time.

LEAN HOGS on the CME were weaker on Monday with the APR'06LH contract closing off $0.10 at $59.00/cwt and the JUNE'06 at $66.825/cwt, down $.20/cwt. The APR'06LH futures set a one-week high then finished near the 10-day moving average with the JUNE'06LH hovering just under its contract moving averages. Concern of abundant pork products and slipping pork values offset initial support from snow storms, traders said. The heavy pace of hog slaughter and growing competition from increasing poultry supplies have pressured price. Prices are expected to continue to struggle as hog slaughter and pork production continue ahead of expectations. Last week's slaughter at 2.009 million head was up 3.8% from last year with the past four weeks averaging 101.9% of last year. USDA reported the latest cutout value at $61.25/cwt, down $0.73/cwt. Pork demand usually is expected to increase about April but high hog numbers due to herd expansion and high poultry amounts due to lower exports amid bird flu concerns have produced quite a bit of competition for consumer dollars. The latest CME index for lean hogs was down $0.37/cwt at $59.31/cwt. The average pork packer cutout margin for Monday was $3.60/cwt, off from $5.05/cwt on Friday and down from $4.25/cwt a week ago, according to HedgersEdge.com. Hedging buyers should still be out of this market. Sellers should be short in the JUNE'06LH contract to establish a price floor at $65.91/cwt to protect 2nd quarter marketings



Data and Charts by DTN on the Web

Remember, when working with futures, risk is involved. Past performance does not indicate a promise of future results. For comments or questions you may contact Mike Roberts at mrob@vt.edu or 804-733-2686.