

R. J. O'Brien - Ag Market Update

December 11, 2002

Technical Corner:

<u>Mkt</u>	<u>Position</u>	<u>Entry</u>	<u>Settle</u>	<u>P/L</u>
SH3	Long	558	565	\$350
SMH2	Short	172.5	165.1	\$740
BOH2	Long	20.45	21.79	\$804
CH2	Short	263	241	\$1100
WH2	Short	370	355	\$750
CTH2	Long	47.80	50.31	\$1255

Soybean Complex:

The USDA revised their 2002 S/D estimates this week. The only change from last month was a slight increase in the export estimate, from 890MM to 900MM bu. The net result was ending season soybean stocks now projected at 175MM, also down 10MM from last month's 185MM bu forecast. This would put the CO/Use rate at 6.4%. Ending season soybean stocks this past season were 208MM with the CO/Use rate being 7.1%. The May 01 settle for SK last season was \$460. SK3 settled at \$548 tonight.

The CO/Use rate for soybeans has ended up in the 6-8% range only three other times dating back to 1980. The average CO/Use rate for the three was 7.5%. Sorry to say the price action didn't end up being very exciting in these years. The average Dec 15-March low for SN in the three years was 31 cents below the Dec 15 settle with the average high being only 26 cents above the Dec 15 settle. Ho-humm! The average April 1 settle for SN in these years was a mere 3 cents above the Dec 15 settle. And that is why we haven't had much to say lately. Unless we are going to have South American crop problems...

Corn:

Not much to talk about in the corn S/D revisions either. Exports were reduced slightly with domestic use increased slightly and the end result was ending season stocks projected at 843MM, down 5MM from last month. The CO/Use rate is projected at 8.6%. It is virtually all "free" however (not tied up in government programs).

The free CO/Use rate for corn has been in the 8-10% range two other times dating back to 1980. The average CO/Use rate for the two was 9.0%. The average Dec 15-March low for CN in these years was 13 cents below the Dec 15 settle with the average high 20 cents above the Dec 15 settle. Not exactly exciting prospects here either. The average

April 1 settle for CN in these years was a lowly 1 cent below the Dec 15 settle.

Wheat:

The USDA increased their estimate of domestic wheat usage slightly this week but the impact was to reduce ending season stocks by only 10MM bu. Stocks are now projected at 348MM, down from last month's 358MM bu. Estimate. The CO/Use rate is now projected at 16.4%. As it is in the corn, this entire amount is virtually "free".

The free CO/Use rate for wheat has been in the 15-20% range seven other times dating back to 1980. The average CO/Use rate for these seven years was 16.7%. The average Dec 15-March low for WN in these years was 23 cents below the Dec 15 settle with the average high 27 cents above the Dec 15 settle. The average April 1 settle for WN in these years was 2 cents below the Dec 15 settle.

Cotton:

The USDA made the biggest change to the cotton S/D this week, reducing production by 450M bales. This combined with slight reductions in both domestic usage and exports left ending season stocks projected at 6.5MM bales, down from last month's 6.8MM bale estimate and last season's 7.43MM bale figure. The CO/Use rate is now projected at 35.5%.

The CO/Use rate for cotton has been in the 35-40% range two other times dating back to 1985. The average CO/Use rate for the two was 37.8%. The average Dec 15-March low for CTN in these years was 13.6 cents below the Dec 15 settle with the average high only 1.7 cents above the Dec 15 settle. The average April 1 settle for CTN in these years was 11.3 cents below the Dec 15 settle. That's kind of scary for the longs!

Computer:

For those of you wondering how the computer has fared in the row crop commodities this year, that subsection of the total program (outlined above) is down about 1% season-to-date.

Happy holiday's everyone and, as always...

Good Luck and Good Trading!