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Morning Ag Markets

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Last week was another ugly week for cattle futures with cash feedlot trade lower and cash hogs lower as well. In the south, trade was light at \$163 to \$164 live roughly \$6 lower than the week previous and as low as \$161 by week's end here in Kansas. Trade in Nebraska ranged from \$165 down to \$161 live as well with dressed trade from \$265 down to \$260. While most thought the cash markets would support the futures heading into last week, cash prices collapsed throughout and futures came under additional pressure on heavy trade volume. The CME feeder index is down over \$10 now in the past week and half. On Friday we did have some strong gains brewing in the pits but by midday those faded.

For the week, February live cattle down \$6.15, January feeders down \$8.32, February lean hogs down \$4.52.

Cattle slaughter from Friday estimated at 92,000 head, down 3,000 from a week ago and down 14,000 from a year ago. For the week, 546,000 head up 8,000 from the week previous but down 55,000 from a year ago. Monday is estimated at 112,000 head, up 1,000 from a week ago but down 6,000 from a year ago.

Boxed beef cutout values sharply lower on light demand and moderate offerings.

Choice Cutout__260.45 -2.43

Select Cutout__250.84 -3.23

Feeder Index:__226.39 -2.78

Hog slaughter from Friday estimated at 420,000 head, up 53,000 from a week ago but down 6,000 from a year ago. For the week, 2,276,000 head, up 133,000 from the week previous and up 13,000 from a year ago. Monday is estimated at 396,000 head, down 59,000 from a week ago but up 24,000 from a year ago.

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Lean Index.__75.58 -.40
Pork carcass cutout__84.53 +.16
IA-S.MN direct avg__70.76 -.64

The CME was closed yesterday and all calls this morning coming in mixed with some traders hoping for a rebound while others see continued pressure. Sale barns yesterday reporting lower prices on feeders and calves, Oklahoma City as much as \$10 to \$15 lower than a week ago for calves. February live cattle took out the December low with support now in the \$149 to \$150 range, the lows seen last August. January feeders have yet to break \$210 and only 2 weeks left for the index and futures to converge with currently a \$12 spread between the two.

Grains came back Friday but it wasn't enough to make up for the losses earlier in the week. Corn got a nice bounce from a late 4 MBU sale to unknown destinations and soybeans held small gains even with China cancelling 10.5 MBU of US soybeans. Crush margins remain very strong and NOPA crush tied the old record of 165.4 MBU crushed in December which means plants are still running at max capacity. In the wheat pits, Friday stopped the consecutive trading days lower at 8. The rallying dollar has hurt any chances for US wheat to try to gain ground in the world marketplace. Ukraine announced 2014 grain production at 63.8 MMT, which is up 2.4% from 2013. That total included wheat at 24.1 MMT, which was up 9.9%.

For the week, March corn down \$.13 ¼, March soybeans down \$.60 ½, March KC wheat down \$.23 ½, March Chicago wheat down \$.31.

Overnight grains opened and stayed lower all night with the US dollar rallying again. Corn finished 3 to 4 lower, soybeans down 7 to 8 and wheat steady to 2 lower in all three pits.

Coming off this 3 day weekend and with the January crop report behind us weather for both the US and South America will be talked about more now. There is still a wide range of thoughts on the Brazilian soybean crop with a few estimates still down near 90 MMT with USDA currently at 95.5 MMT. Harvest is somewhere between 1 and 4% complete. Rains are forecasted for some of the drier areas where crop conditions for the most part are good but some areas are

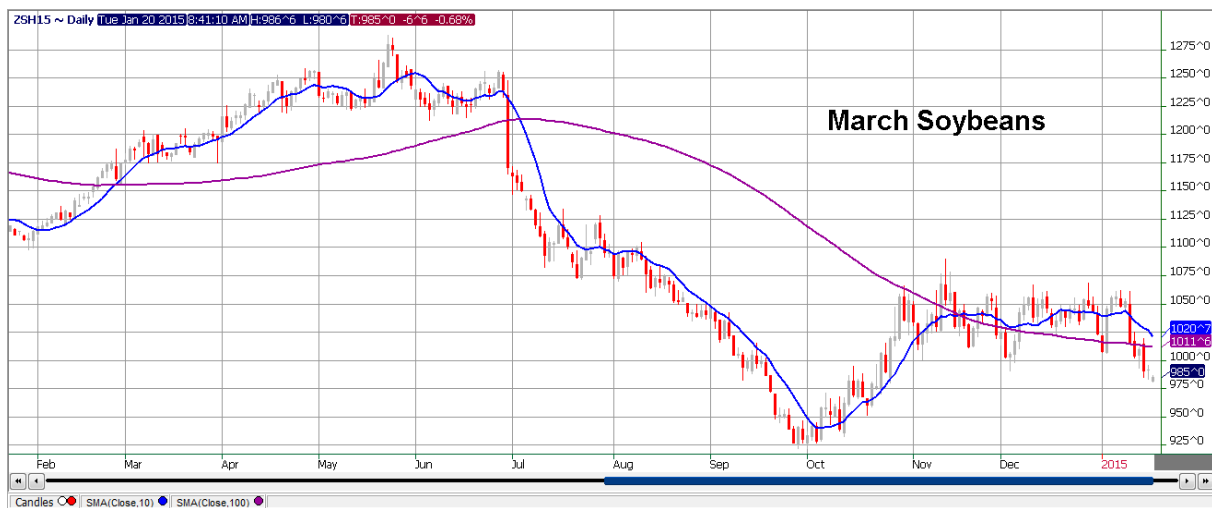
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coming off 100+ heat and little to no rain now for the past couple weeks. Argentina looks even better.

This morning, USDA announced another large soybean cancellation by China totaling 174,000 MT or 6.4 MBU.

March soybeans broke out of its 2 month long range bound trade last week where the \$10 level was seen as strong support and now is resistance. The contract low is down in the \$9.25 area. March corn is holding on desperately above the November lows and 100 day moving average in the \$3.75 to \$3.77 range. Breaking those could lead to \$3.60 mark. March KC wheat only has the contract low at \$5.58 ½ left supporting while March Chicago has the \$5.20 area then the contract low around \$4.80.



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