



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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A giant rally in feeder cattle, big gains in the live cattle and deep red ink in hogs were the themes of Monday's trade in the meat complex. No doubt there should have been some positive repercussions of the \$162-\$163 negotiated live feedlot trade on Friday. Beef packers continue to actively compete for tight available numbers versus a continued overcapacity of shackle space, at times pursuing cattle aggressively despite poor margins. Product values keep dropping and yet cash appears to be ready to move higher this week again after last week's jump. If that happens, perhaps cash can regain even more leadership over futures. January was spent with futures pulling a heavy resisting cash market lower. I don't think too many will complain if those roles are reversed for a while.

Keep in mind, the feeder index is still trending lower. 16 out of the last 17 quotes to be exact. Choice and select cutouts are trending solidly lower. There are still issues with moving beef exports out of the west coast because of worker strikes. The dollar is still very strong relative to other foreign currencies making exports less attractive in imports more attractive. Plus, pork is riding a sinking ship and continues to provide stiff competition in domestic channels for significantly higher priced beef. All of those items are going to make it a tough struggle to move higher on a consistent basis.

Cattle slg. ___110,000 +5k wa +22k ya

Choice Cutout __238.48 -.60

Select Cutout ___232.30 -1.51

Feeder Index: ___208.66 -1.99

Lean Index. __66.65 -1.25

Pork cutout ___73.70 +.76

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IA-S.MN direct avg__60.59 -.34

Hog slg.___407,000 +15k wa +13k ya

Grain trade on Monday had markets closing mildly in on the plus side with very little leadership from fresh news. This morning's report is what traders might be looking to for direction, but February reports typically aren't conducive to any real fireworks. The average guesses for US ending stocks are all looking for slight reductions from the January numbers. Corn ending stocks are pegged at 1.871 bln, down 6 mln from last month. Beans have an average guess of 402 mln compared to 410 in January. Wheat is estimated at 685 mln compared to 687 last month. World ending stocks guesses are looking for slightly higher corn, lower beans and lower wheat.

The WASD report pegged Brazil bean production at 95.5 mmt's last month and the average guess is 94.5. Brazil's AgRural pegged their bean production at 91.9 mmt's this morning, down from their previous estimate of 95 mln. Everyone is looking for lower Brazil numbers, but at the same time an increase in Argentine bean production. The average guess for their crop this morning is 55.2 mmt's up from 55 even last month. The report comes out at 11:00 this morning and as I indicated previously, typically this February reports are yawners, but anything is possible...

Overnight trade in the grains finished_____ mildly lower across the board.

Outside market action has been mildly lower in crude and higher in the dollar index, so the outside influences are bearish grain.

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