



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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The cattle market rode the giant seesaw again over the last several day with the theme being volatile and erratic trade this week. Friday and Monday the futures were sharply higher. Yesterday, sharply lower. The hog market just continues lower, unfazed by any outside markets at all, just very decisively lower.

On the feedlot side of the trade, cash expectations early in the week were for a couple of dollars higher again. I'm a little unsure of whether the drop from yesterday softened that tone some or not?? Packer bids have been close to steady with last week with no takers to my knowledge as of yesterday afternoon.

Bullish cattle market supply fundamentals are having a tough time outweighing the bearishness of the competing meat markets. Hog kills have been huge in recent weeks and average carcass weights on those hogs are still well over year ago levels, making total pork production very large. Poultry egg sets the first week of February were 3% larger than a year ago with chick placements up 3% as well. With those two industries growing, arguing that they should be pulled UP by beef is tougher than saying beef might very well be pulled DOWN by them. That's adding a lot of extra volatility and uncertainty to these markets.

Cattle slg. ___97,000 -3k wa -15k ya

Choice Cutout __239.74 +1.31

Select Cutout ___236.36 +2.80

Feeder Index: ___209.84 +.94

Lean Index. __64.82 -.96

Pork cutout ___72.45 -1.16

IA-S.MN direct avg ___58.41 -1.17

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Hog slg. ___426,000 -1k wa +45k ya

Grains were higher in beans and wheat, but corn couldn't muster any strength and closed mildly lower. Crop report numbers Tuesday were mildly friendly corn and beans and negative wheat and so far the futures trade has completely ignored all of it. There was very little reaction when the numbers were released at 11:00 am on Tuesday and nothing since either. The mild strength in beans yesterday came from Gulf exporters pushing basis lately. Wheat was aided by the cold weather forecasted over the next week. With most of the snow melted and temps warm enough to bring wheat out of dormancy in far southern areas, the temps are bringing back a mild amount of weather premium from winter kill concern. We got that classic "taste of spring" with the warm temps over the last week and the cold snap, along with 6-10's showing below to much below temps in the extended are going to bring back the reality of it still being February and the dead of winter.

Weekly export sales this morning with corn and wheat called neutral to bearish and soybeans friendly. Bean sales were 27.4 mln bushels of old crop and zero new crop. Corn sales were 39.5 mln old and 4.6 mln new. Wheat was 15 mln old and 300,000 new. Milo at 13.1 mln takes some of the sting out of the corn number being called a little unfriendly. The milo commitments to date are still well over double what they were at the same time a year ago and continue strong each week despite the fact there are no longer export issues with the MIR 162 GMO fiasco.

Soybeans production estimates out of Brazil and Argentina seem to be a dime a dozen these days. This morning the Brazil gov't released their latest soybean production estimate at 94.6 mmt's, down from 95.9 mln last month. USDA was at 94.5 on Tuesday. Their corn number was lowered to 78.4 from 79.1. USDA is at 75 mmt's even. To counter that friendliness though, Argentina's Exchange raised their bean estimate to 58 mmt's from 54.5 mmt's previously. They also took corn from 22.4 mmt's up to 23.5.

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