



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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BIG up day in the cattle complex yesterday with \$3.00+ gains in feeders and \$2.00+ in the live market. The spot (and expiring today) February live cattle actually pushed more than \$4.00 higher at one point, but settled well below that level. Hogs on the other hand reversed their recent action and lost more than \$2.00 on the front two contract months. The weakness got progressively lighter past that point with August on out down less than \$1.00.

The bullish squeeze drive in the Feb Live Cattle took futures up over the \$163 mark at the high point yesterday, which was several dollars over last week's cash. Granted, the board closed just over \$161, but with little to no packer buying going on in the major feeding areas yet this week, one would think this could be a big help for cattle feeder leverage. The problem is, that leverage better happen right now because when the April contract becomes spot on Monday there is a \$11.00+ gap between it and the Feb. That's either bullish futures or bearish cash as time progresses into that April month. The big bonus early on though is that hedged cattle will most likely be seeing an enormous positive basis to capitalize on when cattle are sold in coming weeks and hedges lifted. I certainly hope cash holds up to keep that basis abnormally wide for awhile.

Cattle slg.___108,000 -1k wa -11k ya

Choice Cutout___247.03 +.54

Select Cutout___244.90 -.03

Feeder Index:___208.27 -.34

Lean Index.___63.38 +1.32

Pork cutout___68.13 -1.34

IA-S.MN direct avg___66.48 +.44

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Hog slg.____423,000 -8k wa +2k ya

Moving on to the grains, wheat futures scratched out a higher close on all but the front month March Kansas City contract. Corn was mildly higher and soybeans pushed well up into the double digits hitting the teens on the net changes through a good part of the day. Bullish export sales were a big help for the bean market with 16.9 mln old crop sales reported in yesterday morning's numbers representing last week's export commitments. Corn sales were neutral at 28.2 mln, milo bearish at 100,000 and wheat bearish as well at only 12.1 mln bushels.

Yesterday's fund activity had them buyers of 10k beans, 8k corn and 2000 wheat. The fundamental friendliness in the bean trade was not only the strong export sales number, but continued troubles in South America with trucking companies still striking and causing logistics nightmares in some areas.

China's Customs officials stated that January corn imports were down 11% from a year ago, DDG's down 88%, but soybeans up 16%. That DDG number should grow relative to year ago numbers in February.

Crop production estimate out of South America had Brazil's Agroconsult raising their soybean production estimate up to 94.7 mmt's compared to their previous number of 93.9 mmt's. Argentina's Ag Ministry also issued estimates for their soybean production with the soybean tally at 58 mmt's compared to 54 a year ago. USDA had Brazil beans at 94.5 on the last report, which is a little lower than the number I just gave you. The WASD number for Argentine beans was 56, so this latest 58 estimate is larger as well.

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