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Yesterday's cattle complex action showed strong gains across most contracts and the hogs tagged along several steps behind at mild gains in all but one contract month. With the February fats going off last week and the now spot April at a steep discount to both the Feb expiration price and to cash, it appears the path of least resistance at the moment is higher live futures. \$159 trade from last week at the feedlot gate is still well over the \$153.45 futures close in April and it is miles over the \$145.80 close in the June and yet both of those futures contracts were up nearly \$2.00. Basis has been very abnormally strong positive for the last several months with no sign of letting up, especially with steep discounted futures all the way out to the deep deferred months. The futures market has been trying to predict a lower cash market for quite a while now and for the most part, cash has held on pretty good at much loftier levels than the futures.

Cattle slg. ___109,000 +10k wa -4k ya

Choice Cutout __248.67 +1.09

Select Cutout ___245.45 -.12

Feeder Index: ___206.24 -1.48

Lean Index. __65.59 +1.10

Pork cutout ___69.67 -.84

IA-S.MN direct avg __66.38 +.12

Hog slg. ___432,000 +2k wa _37k ya

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Moving on to the grains, soybeans and wheat sunk into double digits lower under active pressure yesterday, while corn trailed back at only mild losses around the nickel lower range. Export inspections were 16.5 mln wheat, which is normal to slightly below, corn was 50.4 mln which is a big number and beans were 23.3 mln, which is down 12 mln from a week ago. I'm not sure if that was enough to warrant a nearly 20 lower spot month close in beans, but that's exactly what happened.

Crop condition reports were released by a few states yesterday with Texas wheat 46% g/ex, Oklahoma 42% g/ex, Kansas 44% and Nebraska 62% g/ex. Those numbers are a little bearish. Illinois wheat was pegged at 47% g/ex which was pretty low for that state and South Dakota came in at 49% g/ex. Texas corn planting progress was pegged at 4% complete, up 2 points from last week and behind the average of 7% for this time of year.

Weather-wise, there is a big shift in the outlook for the Northern Plains and western US to much warmer in the 6-10's. The south and eastern US are still below to much below on temps. Most of Kansas was above normal temps, Oklahoma normal and Texas below, so that is the line. Unfortunately, the 6-10 precip map was dry everywhere except for the deep, deep south.

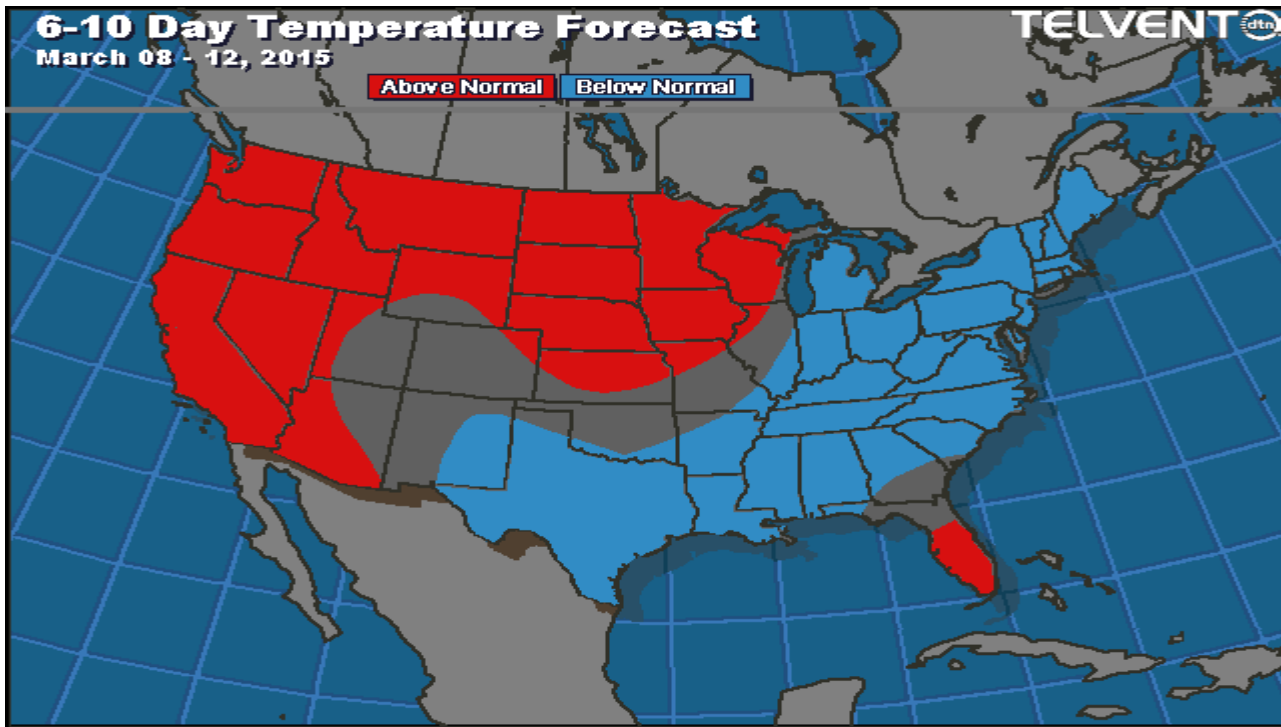
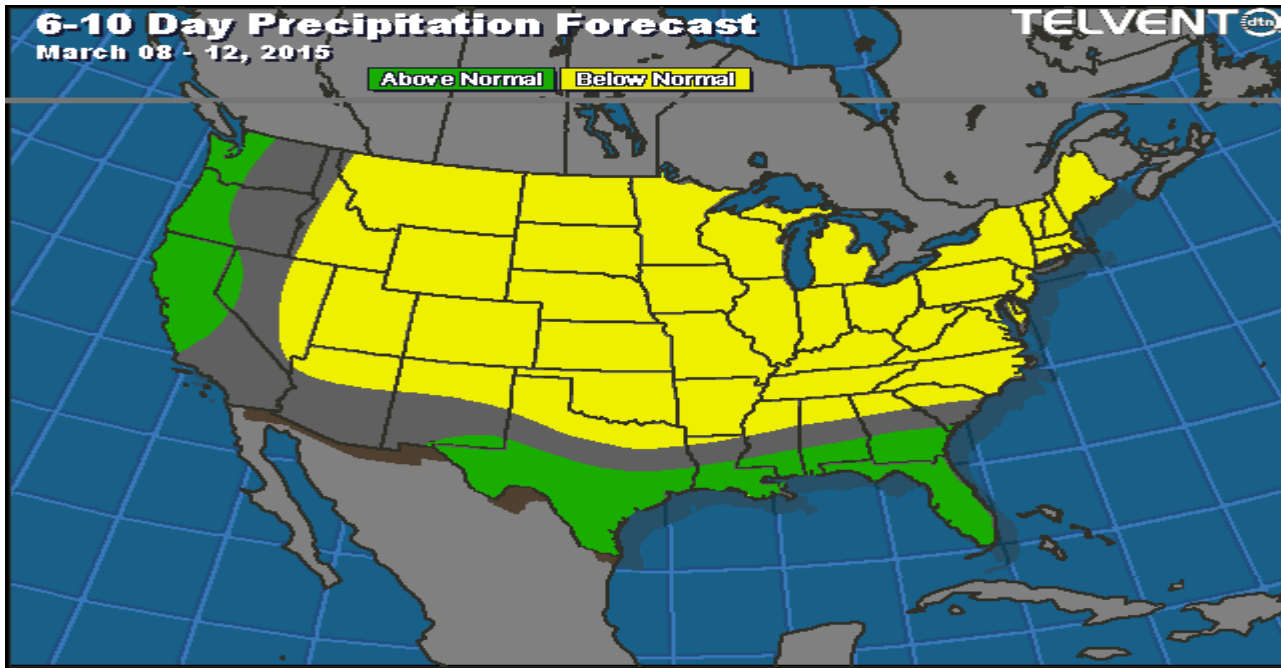
Brazil reported February bean exports sharply lower than year ago levels and corn up slightly compared to a year ago. Trucker strikes probably impacted that some and with mixed reports on the progress of getting that situation solved, beans will likely continue to catch some volatility from the news flow. In the big picture it isn't bullish OR bearish, it simply disrupts logistics of getting their record crop into exportable position. Short term it might have some friendly reaction, but we can't lose sight of the fact their big crop is still there and being actively harvested.

Overnight trade in the grains finished_____ mildly higher in corn, mixed to mostly higher wheat and mildly lower in the beans.

Yesterday despite the futures weakness, funds reportedly bought 8000 corn, 2000 beans and 5000 wheat.

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