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Cattle complex futures are getting a strong push from two avenues; 1) there's index fund re-balancing going on this week that has provided sporadic buying, and, 2) there's a massive weather system coming into the High Plains and Central Plains, extending into the Corn Belt. Considering how strong futures were yesterday, I'm guessing the market is getting very close to reaching what I like to refer to as the "irrational exuberance" stage.

Limit gains yesterday in March Feeders and Feb Live Cattle were great to see, but maybe a little tough to justify, even for some of the most courageous bulls. On the same day those two futures contracts were up the limit, choice cutouts were down \$3.97, select beef cutouts down 1.97 and pork cutouts were off \$1.64. Those choice beef cutouts have lost \$9.95 in six business days. It's going to be interesting to see how the negotiated cash reacts this week with such divergence between futures and product. If packers need product before weather brings things to a standstill, they'll pay up. All depends on how bad they want it...

Cattle slg. ___ 116,000 -1k wa +3k ya

Choice Cutout ___ 193.38 -3.97

Select Cutout ___ 189.97 -1.97

Feeder Index: ___ 132.72 -.39

Lean Index. ___ 59.61 +.76

Pork cutout ___ 78.22 -1.64

IA-S.MN direct avg ___ 59.44 +1.35

Hog slg. ___ 431,000 -8k wa -7k ya

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Grain and oilseed trade had the corn and wheat closes quiet and mildly weaker. Soybeans finished higher, with a pretty good push on the front end that closed just a penny shy of double digits. Thankfully the soybean market was able to avoid bearish reaction to Brazil's crop production forecasts that were released. Brazil's crop reporting agency CONAB came out with corn and soybean production forecasts. They put soybean production at 103.8 mmt's, up from 102.4 last month. Last year their crop size was 95.4 mmt's. Their corn production forecast was 84.5 mmt's, up from 83.8 in December. A year ago they raised 66.6 mmt's of corn. That news was bearish to both corn and soybeans. Odd that corn was lower, yet the beans held in there really well. Tough to make too much sense of market action heading into tomorrow's big crop reports.

We get the final January USDA crop production data, along with updated supply/demand tables and also winter wheat seedings tomorrow morning at 11:00. Average guesses for wheat acreage is 34.4 mln total winter wheat, which would be down from 36.1 mln last year. By class, HRW is expected approximately 1.3 mln acres less, SRW 400,000 less and white wheat down less than 100,000. Corn and soybean yield estimates have an average guess of 175.2 bu/ac corn versus 175.3 in the last report. Soybeans average 52.7 bu/ac compared to 52.5 previously. Production in both has an average guess of 15.2 bln corn and 4.37 bln beans, resulting in ending stocks of 2.378 bln corn and 473 mln beans. Wheat ending stocks are pegged at 1.141 bln bushels.

In other news, there were no new 100k mt+ export sales announcements out at 8:00 this morning. China slapped new anti-dumping tariffs on imports of US DDGs. In September they announced a 34% duty. Yesterday they upped that to a range from 42%-54%.

6-10 day weather last night showed above normal temps over the entire Plains and Corn Belt states. Precip was below normal in the far Northern Plains, but above normal Central and South, along with all of the Corn Belt facing above normal precip.

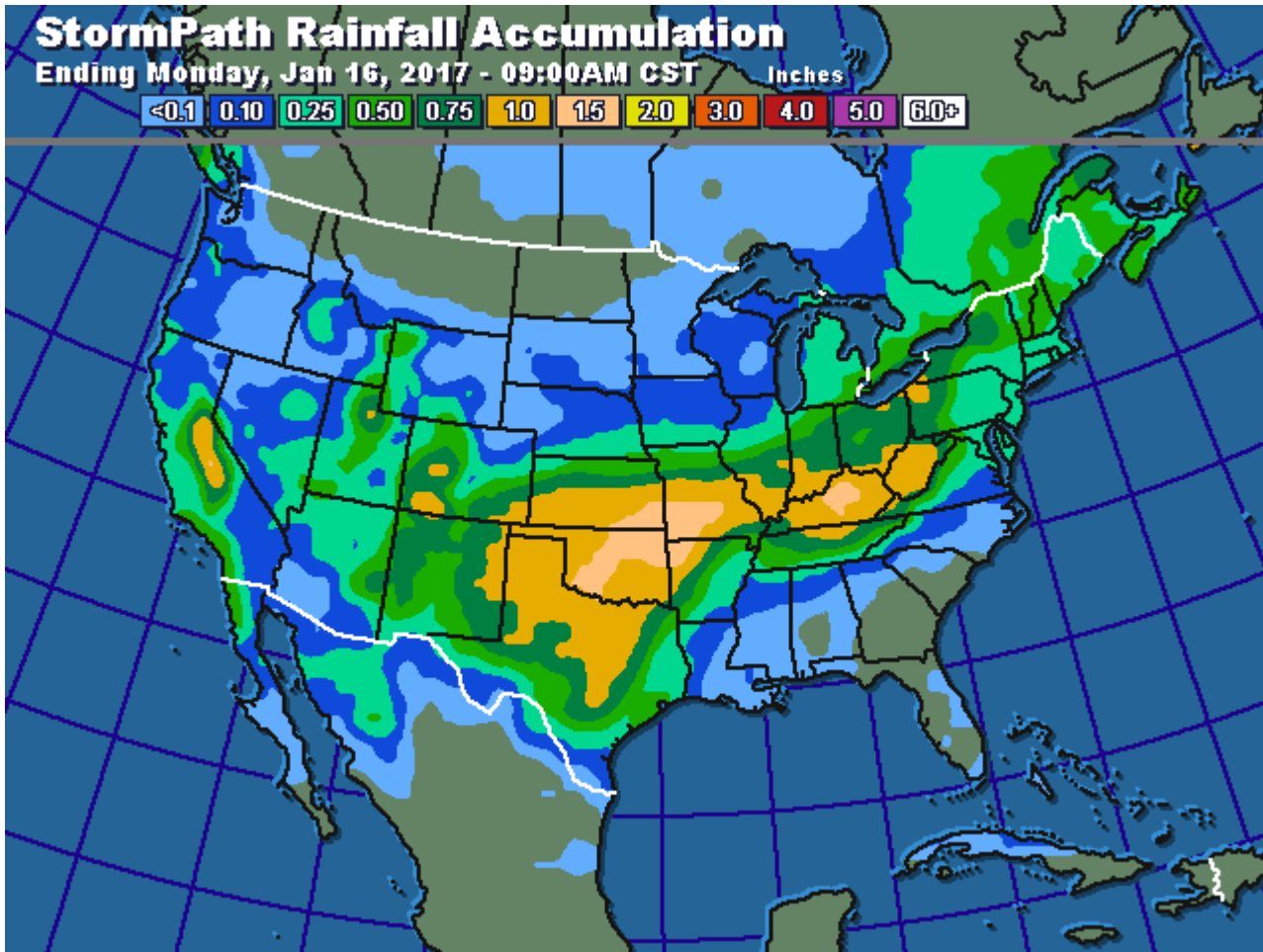
A lot of focus has been placed on Argentina weather over the last month. Too dry early, followed by flooding in some areas and continued dry in others as well. We saw these same type stories last year, which led to a production downfall of about 2.5 mmt's from the highest estimate at one point. Thoughts last year by some in the trade were for an 8-9 mmt drop, which obviously didn't happen.

Dr Cordonnier recently dropped his Argy bean production estimate by 1 mmt's to 55 even. His total South American production estimate is 173.2 mmt's, which would be up from 165.5 mmt's last year. It's tough to get an accurate gauge on Brazil and Argentina weather concerns when everybody posting about them seems to have some sort of bias or hidden agenda. Best to

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keep an eye on it and not formulate too strong of an opinion either way this early in the growing season yet.



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