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Live and feeder cattle futures waded into and through the COF report last Friday with a very large net long position by the managed money fund crowd. When the report numbers came out with a sizable skew on the bearish side, selling escalated quickly yesterday. The opens were a little over \$1 lower, but live cattle finished the day over \$2 lower on the front five contract months. Feeders were down \$3+ on the front two and \$2+ on the remainder.

The brunt of the bearishness in that On Feed data came from Placements into feedlots in the month of December being 18% larger than a year ago versus expectations of 8 ½% bigger prior to the report. I guess coupling those On Feed numbers with the December Cold Storage report data released earlier in the week showing record beef tonnage in freezers was too much for the market to handle. Honestly, I don't know if the funds are really that ultra-focused on fundamentals like those report numbers, but add in end of the month typical liquidation and that very easily could explain why the market was under so much pressure yesterday.

Today we get Cattle Inventory data released. Estimates seem to be all over the board for these upcoming numbers that will be posted at 2:00 this afternoon. I have actually seen at least one set of guesses looking for beef cow numbers to decline versus last year and I don't think that's possible. DTN's estimates were showing total inventory at 102.5%, beef cow numbers up 3%, but beef replacements down 6%. Their 2016 calf crop guess was 103% of a year ago.

Cattle slg. ___ 115,000 unch wa +4k ya
Choice Cutout ___ 193.35 +.65
Select Cutout ___ 188.93 -.01
Feeder Index: ___ 131.20 -.51
Lean Index. ___ 68.44 +.14
Pork cutout ___ 83.48 +.57
IA-S.MN direct avg ___ 65.22 +.33
Hog slg. ___ 443,000 +3k wa +5k ya

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Improving South American weather conditions were the common cause listed for the very aggressive selling in the soybean market yesterday. Those beans closed 20+ lower, while wheat and corn were only mild to moderately lower. We are also contending with the Lunar New Year in most Asian countries, which will likely make next week's export sales look puny.

Weekly export shipments that came out yesterday morning were bullish for soybeans and corn and bearish wheat once again. Corn inspections were 41.8 mln bushels and beans were 59.9 mln. Not much to say about those other than they were friendly. Last week's shipments for wheat were poor as well, yet the export sales number was really bullish last Thursday. Like I said Thursday though, there's a big difference in a sales commitment, like what's listed in these Thursday reports and an actual shipment that's loaded on a boat or train for export. Shipments have been poor. Commitments were good last week, but have been poor in nearly all the weeks leading up to those numbers last Thursday.

Another case in point, Russia wheat values up another \$1 to \$186 Fob for 12.5 pro. Much of this gain on the Egypt purchases last week. Argentina 11.5 pro offered at \$180 with 10.5 pro offered at \$172. US 11 pro hard wheat should be offered at around \$200 with very limited 12 pro offers \$15 higher. Soft wheat would be around \$193. Moral to the story, we aren't competitive!

Kansas ag statistics service put out crop condition ratings yesterday. Winter wheat condition was listed at 20% p/vp, 36% fair, 42% good and 2% excellent. Topsoil moisture ratings were 37% short to very short and 63% adequate to surplus. Subsoil moisture was rated 41% short to very short and 59% adequate to surplus. Compared to the ratings from the end of December, p/vp wheat conditions increased 1 point, taking it from fair. G/ex ratings were unchanged. The best news from the report was topsoil moisture conditions eliminating 20 points out of the short to very short categories, moving it to adequate to surplus. Last month only 43% was in the adequate to surplus category, but now it's 63%! Much better news when a lot of this wheat finally breaks dormancy in coming weeks.

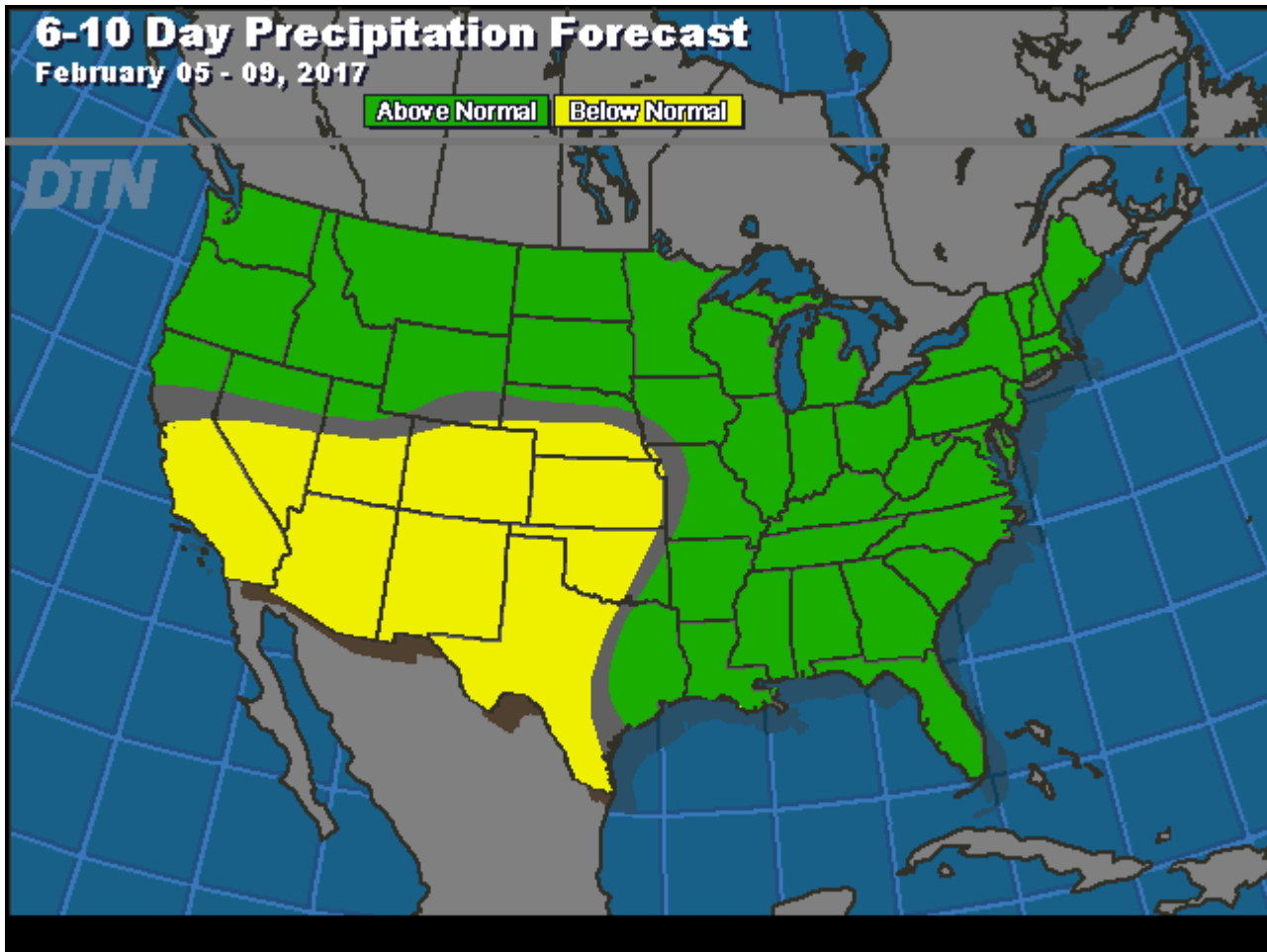
Texas crop ratings yesterday put g/ex wheat conditions at 29%, p/vp was 27%. The condition index this year for Texas sits at a rating of 59 versus 72 a year ago at the same time.

Oklahoma wheat conditions are 17% p/vp and 33% g/ex. An estimated 55% of the crop is being grazed right now versus 49% last year.

6-10's last night showed above normal temps for all of the Plains winter wheat country through the southern Corn Belt. The far northern plains were below normal temps. Precip was pegged at below normal in HRW wheat country and above normal everywhere else.

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