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## **Morning Ag Markets** Pete Loewen

Meat complex futures once again defied the bearishness of last week's Cattle on Feed and Hog and Pig report and finished solidly in the green across the board. For the hog and feeder cattle markets those closes were only mildly higher. Deferred live cattle contracts were only mildly higher as well, but the Dec and Feb and April contracts were all triple digits higher.

With this being the last trading day for the Dec Live Cattle, the fact it closed \$4.55 higher than last week's \$120 cash is pretty bullish. Taming that down a little though is the next month out which is February that's currently trading at a \$2.30 discount to Dec. Five weeks ago that February live cattle contract was \$6.30 higher than Dec. The extremely rapid erosion of that market carry shows there's a lot of pessimism regarding the cash cattle trade ability to keep climbing after the calendar turns.

Weekly export sales were delayed this week until this morning due to the holiday on Monday. The same thing is going to happen next week because of another Monday holiday. Net beef sales this morning in that report were 9100 mt's for 2017 and 9100 mt's for 2018 as well. Actual exports were 16,200 mt's. Those numbers are mildly friendly for cattle.

Net sales in pork for 2017 were 16,600 mt's and 14,400 mt's for 2018. Along with actual exports of 24,500 mt's, those are bullish numbers for the hogs. Of course, given the fact we're seeing daily kills 20+ thousand head per day larger than a year ago, along with average live weights being 5+ lbs bigger than last year, total production is monstrous and bullish export numbers are critical for keeping the market supported.

Cattle slg. \_\_\_119,000 +1k wa +3k ya

Choice Cutout \_\_\_202.28 +.68

Select Cutout \_\_\_190.91 +.49

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Feeder Index:\_\_\_145.88 -2.48

Lean Index.\_\_\_61.58 -.01

Pork cutout\_\_\_78.03 +1.01

IA-S.MN direct avg\_\_\_58.40 +1.11

Hog slg.\_\_\_ 466,000 unch wa +23k ya

Grain and oilseed trade caught sell pressure in everything except the KC wheat yesterday. Estimated fund activity was all on the short side with sellers of 4000 corn, 8000 beans and 1000 wheat. Beans were down in the double digits on a few contracts at the close. Everything else was just mildly weaker. Interesting that with incredible cold temps forecast again over the weekend and a lot of exposed wheat across the country, the KC contracts could only muster slightly more than penny gains and Chicago closed lower. Tough crowd when friendly potential can't generate more friendly response than a penny or two...

#### Buenos Aires Grain Exchange Weekly Report

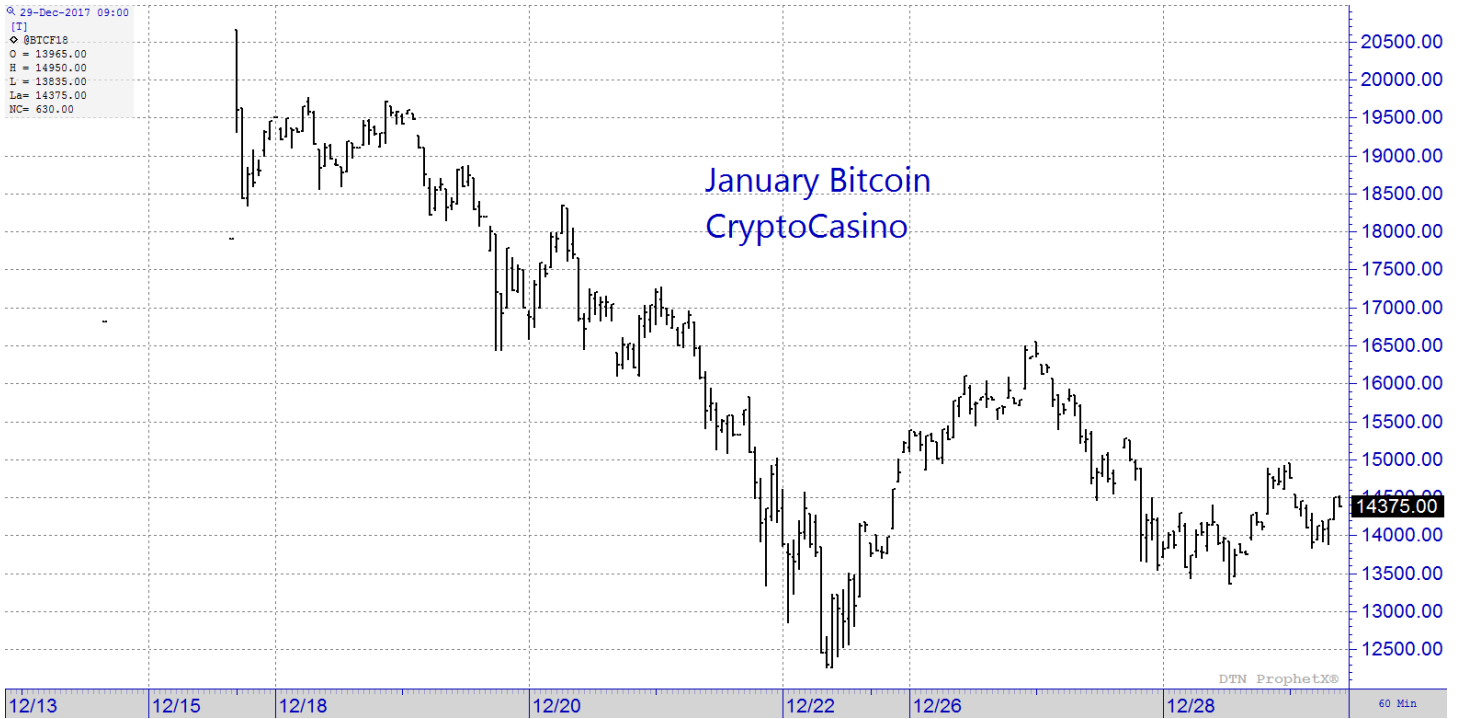
- Corn Planting up 9% at 70% complete and 3% behind the 3-year average.
- Soybean Planting up 11% at 82% complete and 4% behind the 3-year average.
- Wheat is 81% harvested, with an average yield of 3.1 mt/hectare. Final production estimates are still steady at 17mmt (USDA at 17.5 mmt and 18.4 mmt LY).

Weekly export sales numbers in the grains were bearish corn and beans, neutral wheat and bullish for milo once again. Corn sales were 49 mln bushels old and 4.1 mln new. Milo was a whopping 12.8 mln bushels. Soybeans came in at 35.8 mln old crop and 3 mln new. Wheat was 17.6 mln old and 2.3 mln new crop.

Corn sales commitments stand at 25% less than last year and shipments are 36% less. USDA is forecasting a 16% decline for this marketing year. Soybean sales commitments are 15% under last year and shipments down 14% so far. USDA projected up 2%. Fall crops need some serious improvement to hit those projections and the current export picture stinks. Wheat on the other hand is right at the pace needed to hit USDA's target. Current wheat sales are 7% under last year and actual shipments are down 6%. The target for the year is -8% from last year. By the same token though, ending stocks forecasted for wheat went from 935 mln bushels in November to 960 mln in this month's report. If US wheat exports were able to match last year's number by the end of the marketing year, ending stocks would be below 900 mln. If you want to see \$5+ KC wheat, that is what it's going to take to get it. Either that, or a lot more problems with this next year's crop.

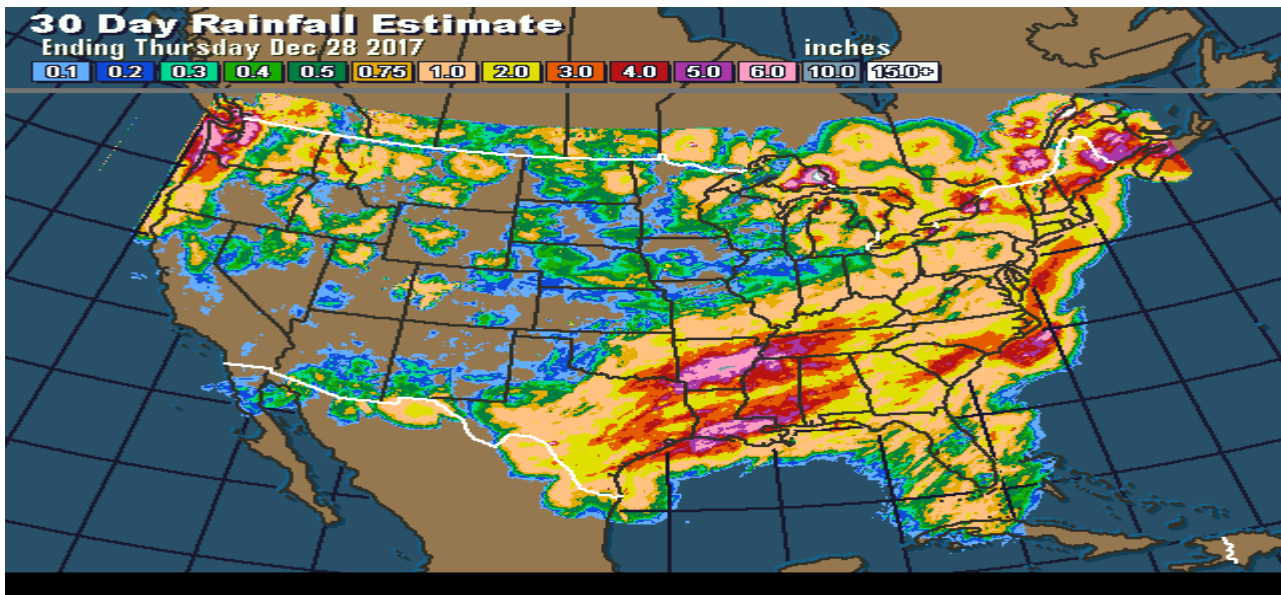
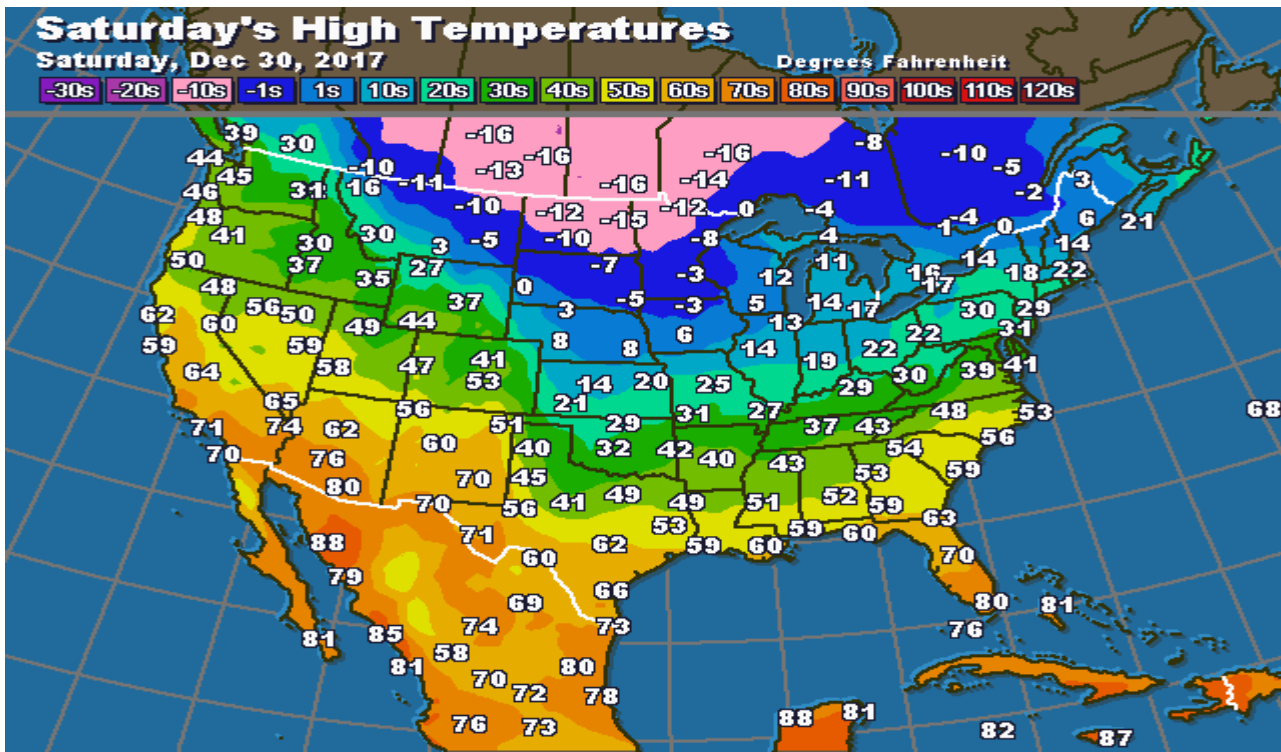
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