



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Morning Ag Markets

Pete Loewen

It was a crazy day for the cattle complex yesterday as the front end February live cattle sunk to within about 50 cents of being limit lower at one point. The front three contract months in the live market finished in the triple digits lower. Feeder cattle futures were only mildly lower. Hogs closed aggressively higher in the front month and just mildly higher in all the back months.

The craziness in cattle was focused on the fact cash trade turned active when packers bumped bids up to \$120. Texas and Kansas traded quite a few numbers at that mark and Nebraska traded \$192 dressed. Compared to a week ago, that trade is \$2 lower live and down \$3 in the meat, but it was also a very strong positive basis. It has been a long time since we had active trade on a Monday and the reasoning actually makes good sense. A \$2.75+ positive basis on hedged cattle is a ringer after seeing basis negative just a few months ago. It's a great trade for the hedger and somewhat of a painful drop for anyone unhedged.

Joplin and Oklahoma City feeder cattle sales yesterday showed the Joplin receipts right at 1000 head larger than last year at the same time. Ok City was 552 head smaller than a year ago at the same time, although the run there was still huge at 12,000 head. OKC prices had 6-8 wt steers \$2-\$6 higher, 800-1000 lb steers steady to \$4 lower, feeder heifers were \$2-\$4 lower and calf market trade was \$2-\$6 higher. Joplin prices listed steers under 650 steady to \$3 lower, 650-8 wts \$5-\$6 lower, heifers under 650 \$3-\$8 lower and over 650 \$3-\$5 lower. Despite some of those sale prices, this is definitely the time of year feeder prices start to widen considerably compared to calf prices, with calves going up and feeders lower. Buyers are chasing calves for summer grass already and feeders are hitting the June/August timeframe finished, where futures are trading at an \$8-\$11 discount to the April contract.

Cattle slg. ___ 118,000 N/A wa +4k ya

Choice Cutout __ 210.20 +.69

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Select Cutout___203.37 +1.05

Feeder Index:___153.92 -1.27

Lean Index.___65.65 +1.43

Pork cutout___78.42 -.65

IA-S.MN direct avg__65.95 +.99

Hog slg.___ 463,000 n/a wa +43k ya

Grain and oilseed trade was under pressure all day. Beans were moderately weaker for quite a while, but found enough buying to creep back up to just mildly weaker prices by the close. Funds were reported sellers of 13,000 corn, 4000 beans and 3000 wheat.

Export inspections data was a little bearish across the board in most and very bearish in others. Corn export inspections were 33.4 mln bushels, which is only slightly below last year at the same time, yet it still keeps total shipments 36% under last year. USDA is projecting a 16% reduction in export demand this year versus last, but covering that 20% gap is a long way to go yet.

Soybean inspections were 43.5 mln compared to 54 mln last year in the same week. Cumulative export loadings are down 14% from last year in beans and USDA has bean exports pegged to end the marketing year up 2% from last year. That's a sizeable gap for the soybeans to fill as well.

Wheat inspections were 8.6 mln bushels, which is a very bearish number, although the cumulative number is slightly ahead of the projection for the year. Right now we're 7% under last year's loadings and USDA has the projection set at an 8% decline. Neutral isn't good enough for wheat though, since ending stocks are still pegged at 960 mln bushels. To curb some of the bearishness, we need to see that carryout below 900 mln. Odds are we'll see that in the next marketing year, but world supplies are huge and the big carries in wheat futures into new crop are somewhat already pricing in tightening US supply.

Milo export loadings were terrible yesterday at 839 mt's. Last week they were 123k mt's and 192k a year ago. One week doesn't change a market and the milo sales and exports have been really bullish over the last month plus. Definitely something to keep an eye on, if the pace

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slows down. Basis has been very bullish for milo the last 60 days or so. If sales start to tail off that's going to weaken those bids.

6-10's last night were warm from the High Plains west and cold central and east. Precip was below normal across all of the Plains and Corn Belt. That's a friendly forecast for wheat unless this moisture system over the next two days drops more than expected.

Overnight export news showed no new flash sales reported this morning. Egypt's GASC is in for a big wheat tender for February, but no official news on the winners in that bid. Odds are it will be Black Sea origin still since mild winter weather over there is continuing to allow for vessel loading due to limited ice.

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