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## **Morning Ag Markets** Pete Loewen

Cattle futures were well supported yesterday heading into the close after an overall mixed day of trading. Hogs were even stronger, posting triple digit gains in 4 of the 5 leading contract months. There's still no cash feedlot trade yet to report. Fed cattle exchange internet trade had only 3 lots consigned, with a total of 255 head from KS, 2 of which were no sales and the third passed out at \$124. With very little negotiated cash tested last week it's anyone's guess where cash lands. Product was solid yesterday and choice has gained \$1.29 since Friday's close. Futures are trading right at the top end of the range from the last three months as well.

\$128 was tested yet again for Feb live cattle, but for the third day this month now, it was unable to be taken out. Whether that's a psychological tough spot or not, I don't know, but technically speaking it was a new recent high yesterday at the peak. On the 5<sup>th</sup> of this month the high was \$127.90, two days ago it was \$127.92 and yesterday those Feb futures squeaked out a \$128 high. I don't think we can call that a triple top with the market inching out new high ground at all those peaks. It would just be a lot more fun if that \$128 level was decisively taken out to the upside. Just haven't been able to muster enough momentum..., yet.

Weekly export sales data in the meats was a little negative in beef and friendly for pork. Net beef sales were 10,400 mt's which was down 44% from the previous week and 52% under the previous 4-week average. Actual exports were 14,700, which was a little better, but still in the neutral to negative category.

Pork net sales were mildly friendly at 21,300 mt's. That was up 68% from the previous week, but down 16% from the 4-week average. Actual exports were 25,800 mt's, so that was on the bullish side as well.

Cattle slg. \_\_\_ 115,000 -1k wa +1k ya

Choice Cutout \_\_ 207.81 +.45

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Select Cutout\_\_\_203.51 +.38

Feeder Index:\_\_\_147.62 +.05

Lean Index.\_\_\_ 74.01 -.29

Pork cutout\_\_\_77.52 +.02

IA-S.MN direct avg\_\_67.12 -1.03

Hog slg.\_\_\_464,000 -2k wa +30k ya

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In the grain and oilseed trade yesterday, corn was stuck trying to figure out which side to follow between beans or wheat. The continued bull run in the soy complex was the friendly pull and the gap lower trade in wheat was the pull on the bear end. In the end, corn finished right in the middle of minuscule 3 cent trading range of low volume.

Soybeans and meal considerably lower in the overnight from Tuesday, but opened steady and added to the recent rally to finish the day at or near new recent highs. Forecasts haven't changed much down South, continued dryness persists in southern Argentina. Chicago Wheat gapped lower Tuesday night, came back to fill that gap but couldn't even hold steady for the day.

Fund activity for the day was estimated as buyers of 5000 corn, 9000 beans and sellers of 5000 wheat.

Wheat felt a little topy yesterday and overbought right now with by far the most adequate supply worldwide of the 3 major grains. The drive to higher prices, if it is going to continue to happen, is all going to have to come from threats to new crop production. Old crop ending stocks poking back up over the 1 bln bushel market in last week's report was a tough bearish pill to swallow.

Weekly export sales data in the grains showed a bullish milo number this week, friendly corn and on the bearish side for soybeans and wheat. Corn sales were 77.7 mln bushels old crop and 3.8 mln new. That's up 12% from the previous week and also what I would consider a decent number for corn. That put total marketing year sales at 13% less than last year at the same time and shipments are currently down 29% from a year ago. The gap between the USDA projection and actual sales and shipments continues to narrow very slowly, but it's still in neutral to negative territory for market reaction potential.

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Soybean sales were 23.5 mln old and 7.2 mln new crop. Those sales are down 4% from last week and bearish. Cumulative sales are 13% behind last year and shipments are lagging by 13% as well. Definitely in need of a giddyup still in bean sales and shipments in coming weeks before we lose too much market share to Southern Hemisphere production that's going to be moving into exportable position.

Wheat sales today were 11.4 mln old and 4.1 mln bushels new crop. While total export sales are a little negative at 12% below last year at the same time, shipments are only 4% behind and that's ahead of the projected pace. I'll still side with a little bearish wheat since we're also facing ending stocks that are back up over the 1 bln bushel mark.

On a final note, milo sales were 5 mln bushels today and that puts the marketing year to date pace at a whopping 59% larger than last year at the same time. Shipments are quite as friendly at 14% higher than last year. All the talk about China slapping duties on US milo imports have hurt our milo basis badly here in the US, but based on these sales numbers, I'd say the pace is still bullish.

**Pete Loewen**

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