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Commodity Consulting/Brokerage

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Morning Ag Markets

Pete Loewen

Following the beat down of cattle futures all last week and then a bearish COF report from Friday, the open yesterday was met with a whole lot of nervous anticipation on whether the selling would continue or if it was already priced into the market. At first glance, it almost looked like a textbook Cattle on Fade report because live and feeder cattle opened steady and then promptly traded higher. The problem was, the buying didn't last very long and bears once again took control of the market, pushing futures to triple digit losses across all but one feeder cattle contract. The live market was down in the triples on three different contract months and close to \$1 lower on the rest.

The bearish side of the report was two-fold; 1) the On Feed total reached 9% over last year's numbers, and, 2) placements in February at 7% higher was the 12th consecutive month of higher feedlot in-movement. The average monthly increase over that time span being an 8.75% increase.

That being said, let's talk about the technical picture in the cattle complex for a moment. April Live Cattle have been down 7 of the last 8 trading sessions and they are down over \$12/cwt since mid-February. March Feeders have been down 7 of the last 8 as well and have also made new recent lows all of those 8 days. In addition to that, since early February, those March feeders are down more than \$17/cwt off the highs. Also, looking back at the trade last fall and into early winter, feeder futures put in a massive bearish head and shoulders top with a target objective of that top down at \$134.07. Yesterday's close was less than \$1 away from that target.

Cattle slg. ___117,000 -1k wa unch ya

Choice Cutout ___222.53 -.56

Select Cutout ___215.46 -.94

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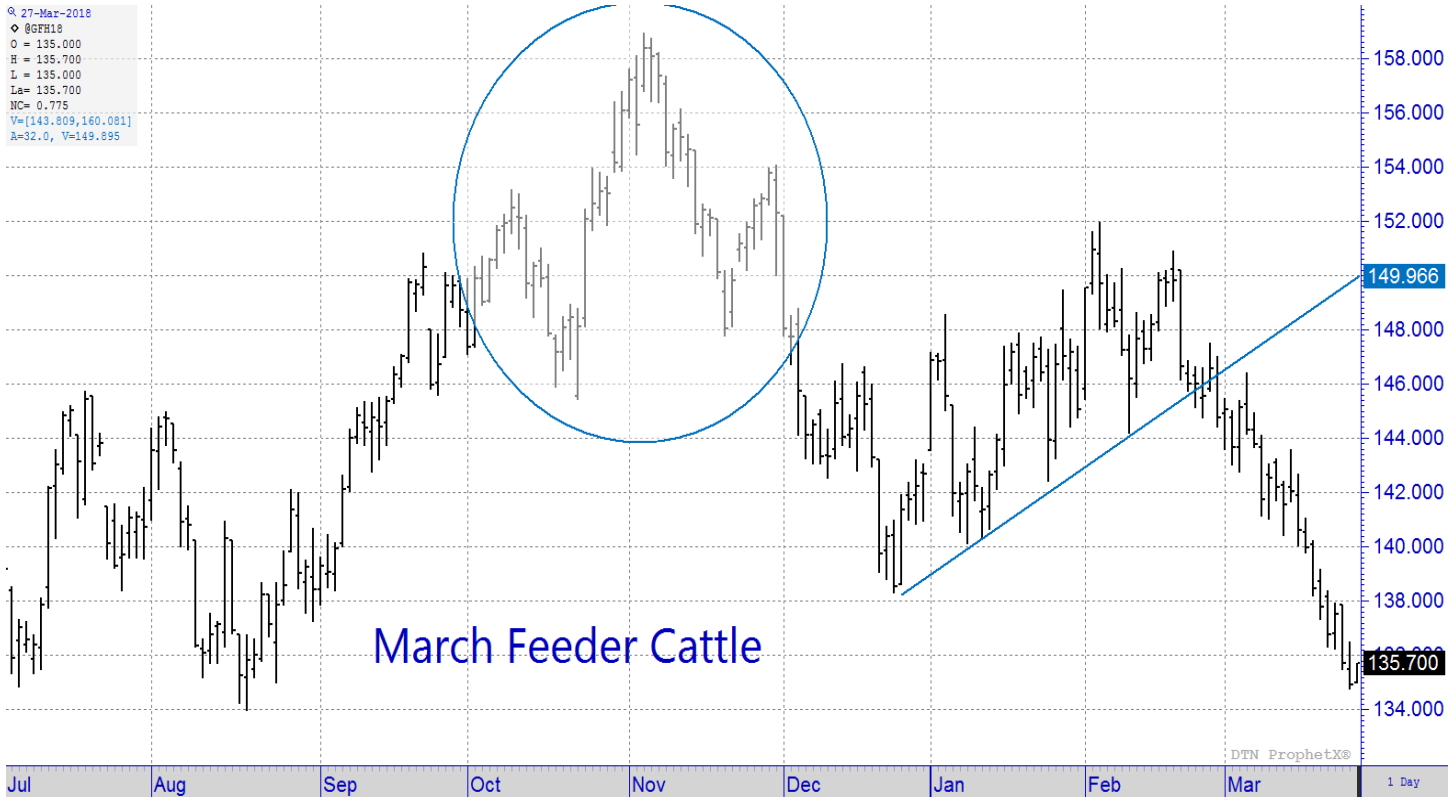
Feeder Index:___136.68 -1.30

Lean Index.___61.35 --.97

Pork cutout___70.92 +.18

IA-S.MN direct avg___51.27 -1.45

Hog slg.___458,000 -4k wa +19k ya



Grain and oilseed trade was downright depressing from the farmer’s point of view yesterday. Corn and beans were mildly lower, but KC wheat got thumped, dropping double digits and solidly below the \$5 mark in new crop futures now. Fund activity was estimated as sellers of 6000 corn, 2000 beans and 4000 wheat.

Export inspections data that was released midmorning showed mild to moderately bearish numbers across the board. Corn inspections for export were 45.4 mln bushels compared to 61.8 mln in the same week last year. Cumulative shipments are 28% below last year at the same time and USDA now has corn exports for the year penciled in at a 3% decrease over last year.

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Soybean export loadings were 21.5 mln bushels, which was 900k above last year at the same time. For the marketing year thus far, the soybean shipment pace is down 12% from last year and USDA has the projection set at down 5% at the end of the marketing year. Corn and beans both need to giddyup to hit their targets. In the case of corn, the sales totals have been excellent versus expectations, but shipments are what counts in the end. A sale can be cancelled, but once it is on the boat, no so much...

In wheat, weekly export inspections were 10.2 mln which is solidly bearish in my book. For the marketing year so far, wheat loadings are down 9% with a projection to end down 12%. Based on that data you might think I'm crazy calling it bearish for wheat, but you can't lose sight of the fact ending stocks for last year's crop are projected by USDA at 1.034 bln bushels now. Stocks to use are 50.6%. What that means is at the end of the marketing year, we'll have over half what was used in total still sitting in a bin somewhere. Theoretically with that, if you raised half a crop, you still wouldn't totally run out by the end of the next marketing year. That's why it's hard to get ultra-bullish wheat, even though we have a terrible looking HRW wheat crop developing in quite a few areas.

Weekly state-specific reports for crop progress and conditions were released yesterday. The corn planting pace was 43% done in Texas, 63% in Louisiana, 28% in Mississippi and 18% in Arkansas. All of that is well ahead of the normal pace.

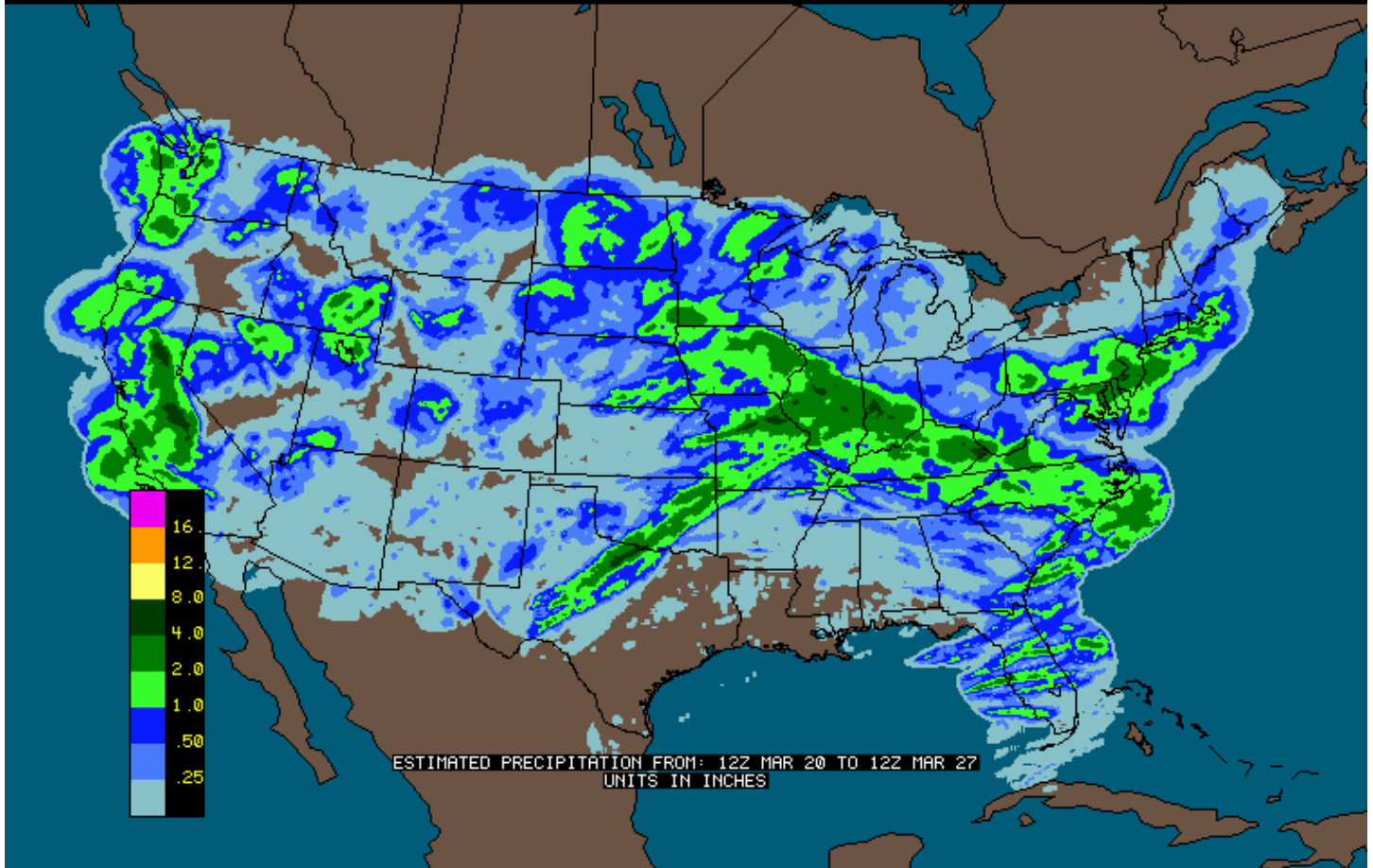
Winter wheat condition ratings, which were expected to improve after the spotty rains last week, did in fact improve, but not by much. Kansas is sitting at 13% g/ex, up from 11% last week. Oklahoma is 9% g/ex versus 5% last week and Texas is 12% g/ex versus 10% a week ago.

6-10's last night showed normal to above temps along the Gulf Coast and on the far west edge of the Panhandle region. From north Texas to the far Northern Plains and Corn Belt, temps were below normal. Precip was normal to above for the Corn Belt and above normal for the Central Plains and most of Oklahoma proper. The Panhandle region was normal to below on moisture chances.

On Thursday we get Quarterly Stocks numbers out of USDA, along with Prospective Plantings. Average guesses for corn acres in the US are sitting at 89.4 mln compared to 90.2 mln planted last year. Soybean acreage guesses landed at 91.1 mln acres compared to 90.1 mln last year. All wheat acres 46.3 mln, up from 46 even a year ago. Spring wheat is expected up 401k acres from last year and durum estimates are for a 77k acre increase. On a final note, milo acres are pegged by the guessers at 5.9 mln, up from 5.6 last year. I think we'll easily end up over 6 mln total for milo.

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