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Morning Ag Markets Pete Loewen

Fairly quiet close in the meat complex on Monday. Live and feeder cattle futures were mildly higher at the finish and the hogs were mixed to mostly lower. There continues to be significant uncertainty over China's African Swine Fever problems. The confusion focuses on how widespread the problem is, how fast it continues to spread and exactly how many hogs have been culled as a result. As always, trusting data the Chinese provide ranks right up there with believing a weather forecast that's 30 days out or more. In case you don't know the correlation there..., I'm trying to convey there's ZERO degree of legitimacy or accuracy potential in either one. Watch what China does, not what China says! The confusion also carries with it the ramifications that we can't really quantify China's soybean or meal demand if we don't know how many hogs they have. Also hard to gauge if there's going to be demand created for US pork in their export trade because of the outbreak?? Without it, the fact US pork producers continue to expand could bite the pork market in the butt pretty hard. We're already seeing a historically wide spread between US beef and pork product values and the spread between front end futures is way out of line from historical norms as well.

That brings into question another factor as well. Can beef prices continue to rise domestically if pork prices are falling? That remains to be answered and like I mentioned, the price discrepancy between those two competing meats has quickly pushed out to levels that have proven to not be sustainable for long periods of time. Doesn't mean it can't get wider, because it has, but there needs to be some caution regarding some of the trades thoughts that cattle are super bullish and not forget the woes of the hog market at the moment.

Cattle slg. ___118,000 +1k wa unch ya

Choice Cutout __217.40 +.39

Select Cutout ___211.61 -.42

Feeder Index: ___143.66 +.45

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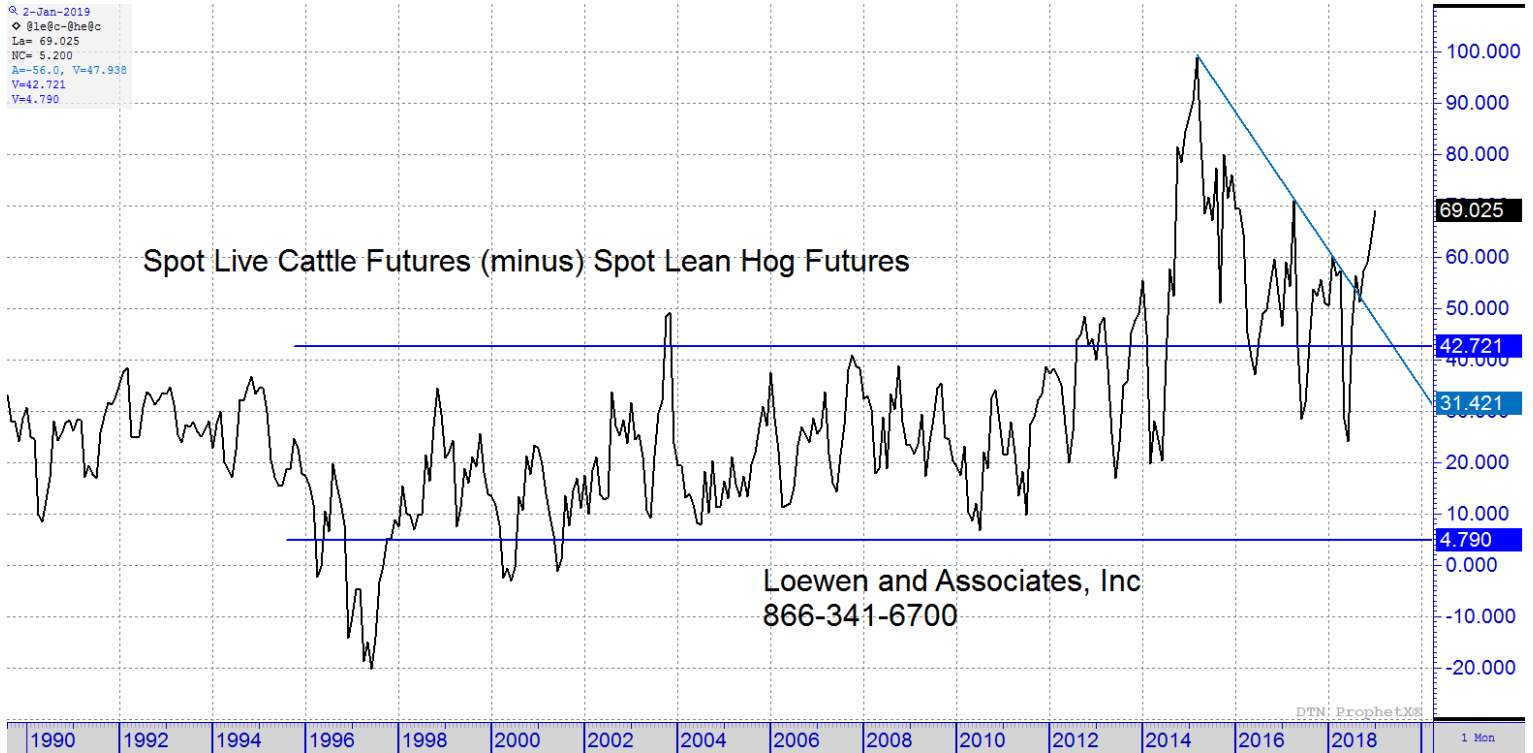
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Lean Index.___58.22 -.28

Pork cutout___68.50 +.83

IA-S.MN direct avg__51.34 +.86

Hog slg.___470,000 +69k wa +7k ya



In the grain and oilseed trade, even with the excitement surrounding the end of the government shutdown, everything was unwilling to move anywhere but lower yesterday. Action was quiet and mildly weaker across corn, beans and wheat at the finish. Funds reportedly were sellers of 5k corn, 2k beans and 2k wheat.

Weekly export inspections, which haven't been phased by the shutdown and continued to be released, did come with some additions in yesterday's data. All of the numbers came in below expectations yesterday. The corn and wheat numbers were solidly bearish. Beans were close to neutral. The soybean total was 34.2 mln bushels versus a number needed each week of 37 mln to hit USDA's last export target. 12.6 mln of that total was destined for China and they added 4.9 mln to the total from last week to China as well, which is part of those additions I was referencing. Corn inspections were 35.2 mln bushels versus 51.7 mln needed each week to hit the export target. Wheat

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was 13.3 mln versus 26.2 mln needed now every week until the end of the marketing year. Additions for corn came in the form of 4.7 mln to Columbia and 5.1 mln to Mexico over the last two weeks. Wheat showed an increase in last week's data by 2 mln to Egypt.

Egypt's GASC also announced a new tender yesterday for an unspecified quantity of wheat for delivery March 11-20. Their last buy was solely from Russia, when they bought 7 cargos three weeks ago. US wheat is competitive again, so I'm sure we'll have offers in the mix.

For the bean market, there continues to be reductions in estimates to Brazil soybean production estimates. Another source yesterday cut their estimate down to 117.9 mmt's from 120.9 back in December. They also pegged exports at 70.1 mmt's versus 73.9 in December. If China's bean demand is reduced due to fewer hogs, I'm not sure where that puts the soybean market??? Then again, like I emphasized earlier, we really have no idea how China's hog herd has been impacted.

8am daily export announcements are back up and running. This morning there was 138k mt's of optional origin corn sales to South Korea.

Another note about USDA data was the announcement yesterday that the Quarterly Stocks, Winter Wheat Seedings and January Final Crop Production reports that were supposed to be released last month, will be coming out on February 8th. It's good to be back in the saddle getting USDA datasets, so there's actually something to talk about regarding the grain markets.

6-10's showed a much more favorably central and southern US outlook last night. Temps were above normal from the Kansas/Nebraska border everywhere south and east, angling up through all of Illinois. Everywhere north was normal to below on temps with much below forecasted for North Dakota. Precip was above normal over almost the entire US. The exceptions were deep south Texas and south Florida that were normal on precip.

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