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Commodity Brokerage/Consulting

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Morning Ag Markets

Pete Loewen

Well, it's been a bit tough to describe the cattle market action so far this week. Cash was mixed and it happened very early in the week. Texas was \$.50 lower on the top end. Kansas steady and Nebraska steady. Considering the timing of the trade with it happening on Tuesday and also the fact the previous week's action was a \$3.00 jump, it was actually a disappointment not seeing another gain. Product trade has continued to ratchet up as witnessed by choice product breaching the \$150 mark yesterday, but futures calmed down significantly this week and likewise cash put on the brakes as well.

With another nasty storm slated to hit the East Coast this weekend, I find it hard to believe that product trade will be able to continue higher with the same momentum it has held the last 2-3 weeks. The last time choice quotes had a net daily decline was back on the 10th of this month. Since then, product has rallied nearly \$12.00 with it all happening in the face of demand-based weather actually being a negative influencing factor.

In the end, I think what this all boils down to is fund and speculative involvement on the long side of cattle futures. Weather has played a role as well, but I'll argue strongly that the role of weather hasn't equated to a \$10 gain in futures over the course of the last 60-90 days. We can thank the funds for a large part of this rally, as it has carried well beyond fundamental reasoning. I don't hear many complaining about that in this go-round though and I'm not complaining either!

Cattle slg. ___ 120,000 -5k wa -1k ya

Choice Cutout_150.39 +.47

Select Cutout_149.75 +.13

Feeder Index:___101.48 unch

Lean Index.___ 68.14 +.38

Pork cutout__72.19 +.77

IA-S.MN direct avg__68.21 +.82

Hog slg. ___ 428,000 +4k wa +5k ya

Calls this morning in the livestock markets are mixed in hogs and unchanged to 20 higher in the cattle complex. Corn was up overnight, which may cause feeders to start out a little weaker than the live market, but Live Cattle futures have been up on average about 25 cents for most of the morning in the electronic trading.

In the grain complex, futures finished lower in everything on Thursday. The selling came from bearish outside market influence and speculative selling as a result. The dollar index switched gears midday and turned lower, or the selling probably would have been even heavier. Export sales that were released prior to the opening were bearish corn and wheat, as both numbers missed the bottom end of the expectations. Soybean sales met the expectations, but came in at the bottom end of the range of guesses at 8.8 mln bushels. In reality, that's not a very bad number for bean sales considering South American harvest is underway, but there are also 247 mln bushels of unshipped sales on the books that might show up as cancellations in future reports.

Overnight E-CBT trade was__ mixed to mostly higher in beans and higher across the board in everything else. KC Wheat finished +3/4 to +2 1/2, Chicago +1/4 to +2 3/4, corn +2 3/4 to +5 and soybeans -1/2 to +3.

In the news today, first notice day for deliveries against the March futures contracts started overnight. There were heavy deliveries against corn, beans and wheat with no strong stoppers noted as of yet. Argentina's Grain Exchange released a corn production estimate of 20.2 mmt's yesterday, which compares to their previous estimate of 19.3 mmt's. This fits into the category of big crops get bigger. However, they left their bean estimate unchanged from the last release. It is the last trading day of the month today and with that may come some index fund reallocation, or just increased fund involvement. If they aren't there in the action today, look for a weaker close and a weak start to next week as well.

It is very important that the grain markets hold it together today closer to unchanged or higher. If we get another day like yesterday on the charts, the weekly action will start to look a lot uglier. Right now we're still holding on to the short term up trend, but it is at a very precarious point.

Overnight trade was higher and calls are a little better as a result. Like I just stated, these grain markets badly need this stronger close today. Fundamentals grow weaker by the day, which is being led by South American harvest progress and the pressure that exerts on corn and soybean fundamentals.

I'm calling corn and wheat 1-3 higher and beans fractionally higher.

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