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Commodity Brokerage/Consulting

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Morning Ag Markets

Pete Loewen

In the grains, Friday could have been a very exciting day given the fact we had the April S&D numbers and a few friendly surprises in those numbers as well. However, there were no fireworks to be found in the market's reaction. There were definitely a few fireworks though for the livestock trade. Live cattle futures found the spot April contract trading over \$100 for the first time. Feeders had at least one contract up over \$2.00 higher at one point on the net daily change. Hogs were just mixed and flat.

One of the largest drivers to the upside in both hogs and cattle continues to be managed money with some massive long futures positions built up to this point. Funds added about 8000 cattle contracts last week and 5900 hog positions. One can certainly build a case for meats continuing to run higher as long as more money continues to be added by those large specs. The difficult side to this equation though is trying to determine just how far we can stretch this balloon before it pops! Beef packers in particular are having a tough time moving product at these escalated values and as a result they trimmed the late week chain speed to combat the problem. Friday's kill was only 102,000 head. They have been forced to chase cash much harder than they have pushed product values, so in order for the rally on the cash side of the spectrum to continue we're going to have to see better demand surface at the retail and HRI level to justify much more advance. Thankfully the cattle market is also facing the season where the odds are strongly in favor of that demand taking hold, since the weather is warming up nicely and the grills are coming out.

Weights are down and will continue to drop over the next 30 days, available numbers are at their tightest point right now and this is the timeframe where middle meat demand picks up. The biggest question is whether consumers will be willing to pay current prices for product??

Cattle slg.___wtd 616,000 -21k wa +17k ya (ytd cattle slg +1.2% from ya)

Choice Cutout_165.27 +.32

Select Cutout_162.27 -.87

Feeder Index:___111.68 +.84

Lean Index.___ 74.89 +1.55

Pork cutout___79.51 +.20

IA-S.MN direct avg__74.18 +.27

Hog slg.____ wtd 2.012 mln -158k wa -115k ya (ytd hog slg -4.5% from ya)

Weekly closes in the livestock markets had april live cattle up 3.00, april feeders up 4.15 and april hogs up 2.10.

Opening calls today are 15-25 higher in the cattle complex and mixed in the hogs.

Grain markets found confirmation that world stocks were huge in all three markets in Friday morning's report, but the domestic ending stocks forecasts that were released were all lower than what was expected. The bullish excitement from that didn't last too far past the open though, as corn and wheat still managed lower closes. Soybeans were the only market that held it together right at the finish with a higher close.

Weekly closes in the grains had july kc wheat up 12 ½, july Chicago up 10 ¾, December corn up 1 ¾ and November soybeans up 10 ¾.

Overnight E-CBT trade was__ higher with KC Wheat +4 to +4 ½, Chicago +3 ¼ to +4 ¾, corn unchanged to +4 ½ and soybeans +4 ½ to +6 ¼.

Weather-wise, the 6-10's were showing normal precip and above normal temps last night which should be conducive to an active corn planting pace this week. The 5 day forecast precip maps show a big portion of Oklahoma and Texas getting some huge rains and that moisture creeps into central and western Kansas on the northern edge of the system. That will be another bearish shot in the arm of the wheat market that is already facing excellent conditions.

We also get the first planting progress report of the year along with crop conditions this afternoon. Expectations are for 5%-7% of the crop in the ground already compared to 2% last year and 6% on average. With an open weather picture this week for most of the Corn Belt, I would expect a BIG increase between this week and next regardless of what is reported today.

As long as this weather picture stays where it's at, it will be very difficult for grain markets to gain much traction to the upside. Funds have been sellers, the weather picture is negative (for the time being) and the limited friendliness that Friday's report harbored was expelled with the inability of the markets to rally that day. Granted, the overnights were up last night and we'll probably get a better start this morning. I just don't think it will last without something bullish to push it.

Calls this morning are 2-5 higher across the board.

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