Farm Journal
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News this week...

Corn, soybeans and wheat rise – *Strong weekly export sales and support from strengthening crude oil futures boosted corn, soybean and wheat futures last week. Soybean harvest delays in central Brazil due to wet weather helped fuel increased Chinese buying of U.S. soybeans. But gains were held in check by improved weather in Argentina. Traders will continue to gauge demand and South American weather for near-term price direction. But fund-driven money flow may be the key determinant for near-term price direction. Live cattle futures maintained their long-term uptrend on the daily price charts but gains were trimmed late-week as packers appeared to win another lengthy standoff in the cash market. Lean hog futures showed signs of a seasonal low as the cash index firmed.*

Argentina's weather improving

Weather over the past week in Argentina was the best of the growing season, including rains Friday. Forecasts call for additional rainfall over the next two weeks, though forecast models vary on coverage levels and amounts. While recent rains have improved topsoil moisture, subsoils remain depleted.

Rains continued to fall across central Brazil, which kept harvest activity to a minimum. Forecasts signal more rainfall is likely the next two weeks. Sprouting of mature soybeans waiting to be harvested is the biggest concern, though harvest delays will also push back safrinha corn planting.

Argentine crop ratings improve, but...

Recent rains across Argentina helped improve crop condition ratings over the past week, though they remain historically low. The Buenos Aires Grain Exchange rated the Argentine soybean crop 7% good/excellent (up four points), 39% average (up two points) and 54% poor/very poor (down six points). It rated the country's corn crop 12% good/excellent (up seven points), 49% normal (up one point) and 39% poor/very poor (down eight points).

China's 'substantial' Brazil corn buys

The USDA attaché in Beijing reports: "Feed mills have resumed mixing more corn in feed rations as higher prices of wheat and sorghum reduce demand for corn alternatives. At the same time, Brazilian corn is now available and priced competitively with domestic corn... With the arrival of the first vessel of Brazilian corn in early January 2023, China will likely turn to Brazil for a substantial amount of its corn imports." We address China's demand for U.S. ag goods and other key topics farmers want to know on *News page 4*.

Mexico: Can't replace all U.S. corn

Officials from the U.S. and Mexico held meetings last week regarding Mexico's plans to end imports of GMO corn after 2024. Mexican Deputy Ag Minister Victor Suarez says the country hopes to reduce corn imports 30% to 40% by next year but admitted it can't fully replace imports of U.S. corn.

Fed expected to be less aggressive

The Personal Consumption Expenditures price index (PCE), rose 5% annually in December, down from a 5.5% rise in November. Core PCE, the Fed's preferred inflation gauge that excludes volatile food and energy prices, increased 4.4% annually, down from November's 4.7% increase.

Consumer spending fell in December and was the weakest in two years over the final two months of 2022.

Markets have priced in near certainty the Fed will raise interest rates 25 basis points this week and about an 85% probability of another quarter-point rise in March. After that, markets have priced in only about one-third odds the Fed will continue to tighten monetary policy.

M2 money supply posts historic drop

The U.S. M2 money supply growth rate for December was a negative 1.3% versus year-earlier, the lowest ever and the first-ever decline back to 1959 when the Fed started releasing the data. Economists say the drop points to a cooling economy and a strong pass-through of higher rates, fanning recession fears if the Fed doesn't pause its monetary tightening.

U.S. Q4 GDP tops expectations

The U.S. economy grew faster than expected in the fourth quarter of 2022 as consumers maintained a solid pace of spending. But momentum had slowed significantly by the end of the year, with higher interest rates eroding demand. Gross domestic product increased at a 2.9% annualized rate in the fourth quarter, down from 3.2% growth in the previous quarter but above the 2.6% economists expected. For 2022, the U.S. economy expanded 2.1%, down from 5.9% growth in 2021.

Debt limit, spending discussions

Top House Democrat Hakeem Jeffries (D-N.Y.) is open to talks with Speaker Kevin McCarthy (R-Calif.) on spending, but first wants to see Republicans' proposal for reductions, and a promise to remove the possibility of a debt default. House GOP leaders are reportedly considering a short-term extension of the federal debt ceiling to Sept. 30.

Rains stabilize Argy crops — for now

South American crop consultant Dr. Michael Cordonnier kept his Argentine crop estimates at 39 million metric tons (MMT) for soybeans and 44 MMT for corn after the "best rains of the growing season stopped the bleeding for now." But he estimated the rains came too late to provide much benefit to between 30% and 40% of the early corn and 20% to 25% of soybeans.

While the ideal planting window has closed, especially for soybeans, Cordonnier said the rains will encourage some farmers to seed a portion of the estimated 700,000 hectares of each crop that were unplanted.

Brazil crops maintain record potential

Cordonnier kept his Brazilian crop forecasts unchanged at 151 MMT for soybeans and 125 MMT for corn. Aside from wet weather slowing early harvest efforts in central areas of the country and too-dry conditions in far southern Brazil, weather remains mostly favorable.

He noted good early yields are being reported in northern Mato Grosso, but yields of Brazil's first corn crop are going to be disappointing, especially in Rio Grande do Sul.

AgRural trims Brazilian crop estimates

Brazil-based AgRural trimmed its Brazilian soybean crop estimate by 700,000 metric tons (MT) to 152.9 MMT amid cuts to production forecasts in Rio Grande do Sul, Parana and Mato Grosso do Sul, which were partially offset by small increases in other states. The firm lowered its Brazilian corn crop estimate by 400,000 MT to 123.9 MMT given drought stress in Rio Grande do Sul. Both crops would still be record-large.

Ukraine's grain crop will drop again

A best-case scenario is production of 18 MMT for corn and 16 MMT for wheat in Ukraine this year, according to the head of the Ukraine Grain Association, as farmers will reduce acreage due to the war and economic hardships. In 2022-23, USDA projects Ukraine produced around 27 MMT of corn and 34 MMT of wheat, which were major reductions from 2021-22.

Russia's wheat crop peg 'not feasible'

Russia's 2022 wheat crop reached a record 104.43 MMT, *Interfax* reported, citing the state statistics agency Rosstat. Mark Jekanowski, Chairman of USDA's World Agricultural Outlook Board, called that "not feasible," saying analysis of weather and previous crops does not support a crop that big. USDA projects the crop at 91 MMT, though that doesn't include Crimea, which Russia counts in its production forecast.

Record jump in weekly ethanol stocks

Ethanol stocks surged 1.675 million barrels in the week ended Jan. 20 to a nine-month high of 25.077 million barrels. Of the record weekly build in ethanol stocks, 506,000 barrels were in the high consumption PADD 1 (East Coast) and 445,000 barrels were in PADD 2 (Midwest). BioUrja Ethanol Trading Manager Jordan Fife said, "Demand has been horrible, production is increasing, there is an embargo in LA on ethanol due to unfavorable weather and exports are awful — a perfect storm."

While ethanol margins are mildly profitable across most of the Midwest, the sharp buildup of ethanol stocks will at least temporarily slow production, especially if central U.S. producers can't move enough supplies to the East Coast and other high-volume use regions.

GM's major investment in gas engine

General Motors announced it intends to spend just under $1 billion dollars to develop its next-generation V8 engine. The company will invest $918 million across four of its U.S. sites, of which $854 million will be spent developing the sixth generation small block V8. Only $64 million will support electric vehicle production.

Germany weighing crop-free biofuels

German Environment Minister Steffi Lemke said she will soon send proposals to the country's cabinet to withdraw from use of crop-based biofuels by 2030 in order to reduce greenhouse gas emissions. Lemke wants the country to intensify the use of biofuels produced from garbage, wastes and used edible oil. But the German biofuels industry association said a cut to crop-based biofuel use would mean an increase in Germany's transport carbon dioxide emissions by around 32 MMT by 2030.

Hamburg-based oilseeds analysts *Oil World* said plans to stop crop-based biofuel production would severely hit farmers and cut rapeseed output. The resulting smaller oilseed crush in Germany would lead to a widening of the domestic protein deficit for animal feed and mean increased imports of soybeans and soymeal.

Oil World also warned, "It is not possible to replace crop-based biofuels in this way because there is not enough waste available to produce the volumes needed."

Argentina raises biofuels price

Argentina's government raised domestic prices for both sugarcane- and corn-based ethanol, which are required for blending with gasoline, by nearly 5%. The economy ministry set ethanol prices at 129.309 pesos per liter (about 70¢), up from the previous 123.422 pesos per liter. Blenders now have 30 days from invoicing to pay off the fuel.

Food prices surge, headed higher

USDA's food price outlook data and forecasting methodology were revised this month to "methods based entirely on statistical models that are fitted to recent trends in the data." The new methodology produces "wider initial prediction intervals that narrow over the forecast period as more data become available and the degree of uncertainty declines."

In 2022, food prices increased 9.9%. Food-at-home (grocery store) prices jumped 11.4%, while food-away-from-home (restaurant) prices rose by 7.7%.

For 2023, all food prices are predicted to increase 7.1%, with a range from 4.2% to 10.1%. Grocery store prices are forecast to increase 8.0%, with a range from 4.5% to 11.7%. Restaurant prices are expected to increase 8.2%, with a range from 6.7% to 9.7%.

Egg prices led food increases in 2022 and USDA forecasts they will jump another 27.3% this year, with a prediction interval of 6.9% to 52.0%. Prices are expected to continue increasing for eight additional food categories. Beef and veal prices are projected to decrease 1.8% in 2023, with a prediction interval of -10.4% to 8.0%; pork prices are predicted to decrease 3.0%, with a prediction interval of -10.3% to 5.1%.

Egg smuggling rising amid record domestic prices

Record prices are driving an increase in attempts to smuggle eggs into the U.S. from Mexico, according to border officials. The outbreak of highly pathogenic avian influenza among U.S. chicken flocks has led to reduced egg production. As of December, the U.S. Bureau of Labor Statistics reported the average retail price for a dozen Grade A large eggs was $4.25, up 138% from the previous year.

USDA announces more dairy payments

USDA will make an additional round of payments to dairy farmers under the Pandemic Market Volatility Assistance Program (PMVAP) for production not originally covered under the original effort with payments to total nearly $100 million. The initial phase of PMVAP payments totaled around $250 million and covered production up to 5 million lbs. of sales, with payments covering 80% of revenue losses on fluid milk sales from July-December 2020. The next round will cover fluid milk sales between 5 million lbs. and 9 million pounds.

USDA will soon introduce the Organic Dairy Marketing Assistance Program (ODMAP) aimed at smaller organic dairy producers to help them deal with challenges and higher costs they have faced in the last few years. Payments will cover up to 5 million lbs. of a producer's expected production and will be based on a national per-hundredweight payment for up to 75% of marketing costs in 2023. Up to $100 million has been allocated for ODMAP.

Feedlot supplies continue to decline

USDA estimated there were 11.682 million head of cattle in large feedlots (1,000-plus head) as of Jan. 1, down 355,000 head (2.9%) from year-ago but 30,000 head more than the average pre-report estimate implied. December placements dropped 8.0% from year-ago, while marketings declined 6.1%. From an underlying standpoint, the data was bullish as feedlot supplies declined from year-ago for a fourth straight month.

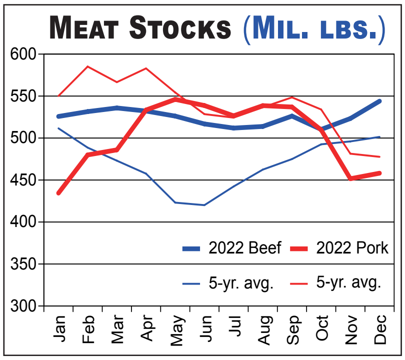
Cattle on Feed Report	USDA actual	Average estimate
	(% of year-ago)	
On Feed Jan. 1	97.1	96.8
Placed in Dec.	92.0	91.0
Mkted in Dec.	93.9	94.7

Placements dropped sharply in Texas (95,000 head), Nebraska (35,000 head), Colorado (20,000 head) and Kansas (10,000 head), while they increased 4,000 head in "other states." Placements declined in all categories except 9-weights, which were steady with year-ago.

The Jan. 1 feedlot supply consisted of 7.032 million steers (60.2%) and 4.650 million heifers (39.8%). That was the largest percentage of heifers in feedlots in more than a decade, as the breeding herd supply continues to contract.

Meat stocks signal demand shortfalls

USDA's Cold Storage Report showed beef stocks rose more than average during December, while pork stocks increased versus the normal small drawdown in inventories during the month. Given beef production dropped 6% from year-ago last month and pork production was down 7%, the inventory data suggests meat demand didn't keep pace with supplies during December.



Beef stocks at the end of December totaled 544.0 million lbs., up 20.7 million lbs. (4.0%) from November versus the five-year average increase of 4.7 million lbs. during the month. Beef stocks increased 36.8 million lbs. (7.3%) from December 2021 and were 42.6 million lbs. (8.5%) above the five-year average.

Pork stocks stood at 458.1 million lbs., up 6.6 million lbs. (1.5%) from November whereas they declined an average of 3.2 million lbs. over the previous five years. Pork inventories increased 61.7 million lbs. (15.6%) from December 2021 but were still 19.5 million lbs. (4.1%) below the five-year average.

Poultry stocks rose 70.3 million lbs. (6.7%) during December to 1.123 billion lbs., 212.1 million lbs. (23.3%) above year-earlier levels. Chicken breast supplies remained burdensome at 250.3 million lbs., up 9.0 million lbs. (3.7%) from November and 97.1 million lbs. (63.4%) above December 2021.

Your questions, our comments

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

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We've been busy this winter attending and speaking at many ag industry meetings. Here are some topics other farmers asked about at those sessions.

Will a new farm bill be completed this year?

Experienced farm bill watchers say "no," largely due to the need to educate new members of Congress, especially in the House, and their staffs. But ag panel leaders want to reach the end zone by September, according to House Ag Committee Chair Glenn "GT" Thompson (R-Pa.). Some say a one-year or longer extension may not be so bad, due to the possibility of damaging amendments offered in the House by some conservative lawmakers. Bottom line: The first six months this year should help determine the odds as both parties deal with increasing or suspending the debt limit. If that can be accomplished, a farm bill could be as well.

Will there be an alternative to the dollar?

China, Russia and others are trying, but it took many years for the U.S. dollar to overtake the British pound as the major world currency. While most everything today is accelerated, the push for an alternative exchange was fueled by currency-related sanctions on Russia following its invasion of Ukraine. China trade dealings with many require it be paid in Chinese currency. Brazil and Argentina are talking about a joint currency, but South American currency woes in the past put this in the wishful category.

What's the future of electric vehicles (EVs)?

They are gaining share of U.S. and world auto purchases, with some saying the number of gasoline powered cars globally likely peaked in 2022. Obstacles include the need for a much-improved U.S. electrical grid, a vast expansion of battery charging locations and development of precious minerals used in battery production. Those are all underway but will likely take a decade or more to roll out. Key: Verdict is still out on what will drive EVs — batteries or hydrogen. The race is on to reduce those costs and technology in both sectors is rapidly advancing. Gas-powered engines aren't going away, but there will be EV advancements.

Is USDA's forecasting keeping up with private sector?

The perception among stakeholders is "no." Technology is available to significantly increase the quality and timeliness of forecasts. USDA officials say they are investing and keeping up, but more funding and research is needed.

Will China continue as a big buyer of U.S. ag products?

In the short run, yes, but changes are underway. China has boosted imports of Brazilian corn, not wanting to rely so much on U.S. supplies after the supply disruptions out of Ukraine. With the rise in Chinese hog production, look for purchases of Brazilian corn to increase. Meanwhile, Chinese officials have embraced higher yielding GMOs. Its ag import growth may be peaking, with forecasts showing a significant lowering of China's population in coming decades. If so, that will crimp overall demand.

Is the U.S. becoming a domestic ag market vs. exports?

Some observers cite lower ag exports due to large South American production and slowing Chinese demand as previously discussed. Others note this is why ag trade policy needs to refocus on expanding market share for U.S. farm products around the world, including new free trade agreements. Meanwhile, the rapid advance of new technology (driverless trucks, drones, digitization, etc.) is lowering transportation costs domestically and to export ports, and this should make U.S. farm exports more competitive.

Bottom line for other key topics addressed:

- Interest rates will rise through at least the first half of this year, though the pace of gains should ease to 25 basis points. Key will be when the Fed pivots and starts cutting rates.
- Farmland values will keep rising as buyers are evident on setbacks and a high percentage of farmland is owned debt-free. As for prices, certain areas are seeing some eye-popping highs not only in land values, but in cash rents.
- ESG (Environmental, social, and corporate governance) is reducing investment in fossil fuel production.
- Some fertilizer prices have come down 50% or more from their 2022 peaks. Diesel fuel is down around 20%. Input prices remain high but won't be as worrisome as last year; and fertilizer supply issues aren't as great this year. Plus, commodity prices remain historically high.
- Farmers are skeptical about carbon credits, noting the European Union offers their ag sector higher payouts. USDA Secretary Tom Vilsack says this could be the next revenue stream for agriculture.
- The ag industry thinks EPA low-balled the mandate for renewable diesel because of food vs. fuel concerns. But a soybean trade offical says, "It should be food and fuel." State mandates are just as important as the RFS program.

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Farm Journal CEO, Andrew Weber

CATTLE - Fundamental Analysis

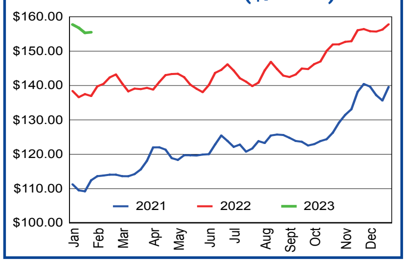
The Jan. 25 USDA Cold Storage Report indicated red meat demand sagged in December (see *News* page 3), possibly due to strains on consumer budgets during the holiday season. Early-2023 weakness in the cattle and hog markets might also be demand-related. We are inclined to view such slippage as temporary if the equity markets are correctly valued. With retail beef now generally priced below year-ago levels and feedlot marketings current, we still anticipate a strong winter-spring cattle rally (see "From the Bullpen" on *Analysis* page 4). We see little reason to seek price protection at this time.

Position Monitor

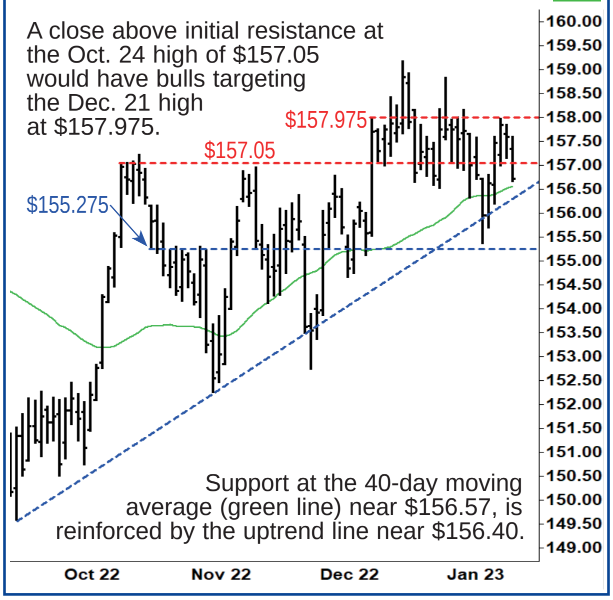
Game Plan: Traders remain cautious buyers in futures despite a bullish outlook. Continue to carry all risk in the cash market, which should trend higher.

	Feds	Feeders
I'23	0%	0%
II'23	0%	0%
III'23	0%	0%
IV'23	0%	0%

CASH CATTLE PRICE ($/CWT.)



DAILY FEBRUARY LIVE CATTLE



HOGS - Fundamental Analysis

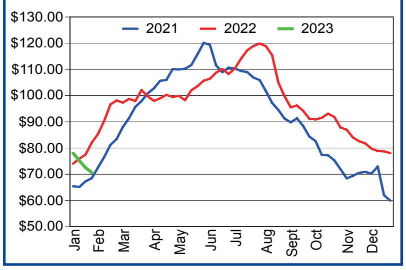
Pork cuts remained relatively expensive during the holiday season, which may partially explain seemingly soft consumer demand. And while we expect grocers to reduce retail pork prices below second-half 2022 levels this year, we are not persuaded they have done so yet. But there can be little doubt that hog slaughter will undergo the usual seasonal decline during the coming weeks and months. If hog numbers match the anticipated 2% annual decline, cash prices could replicate the sustained advance seen in early 2021. There's too much upside potential to think about hedging at this point.

Position Monitor

Game Plan: Once a seasonal low is in place, futures and the cash market should embark on extended price rallies. Continue to carry all risk in the cash market.

	Lean Hogs
I'23	0%
II'23	0%
III'23	0%
IV'23	0%

CASH HOG PRICE ($/CWT.)



DAILY FEBRUARY LEAN HOGS

FEED

Feed Monitor

Corn	
I'23	67%
II'23	0%
III'23	0%
IV'23	0%

Meal	
I'23	67%
II'22	0%
III'23	0%
IV'23	0%

Corn Game Plan: On Jan. 23, we advised covering all corn-for-feed needs in cash through February. Our target for extending coverage is sub-$6.50 in May futures.

Meal Game Plan: On Jan. 23, we advised covering all soymeal needs in the cash market through February. We are targeting a drop to around the $435.00 level in May futures to extend coverage.

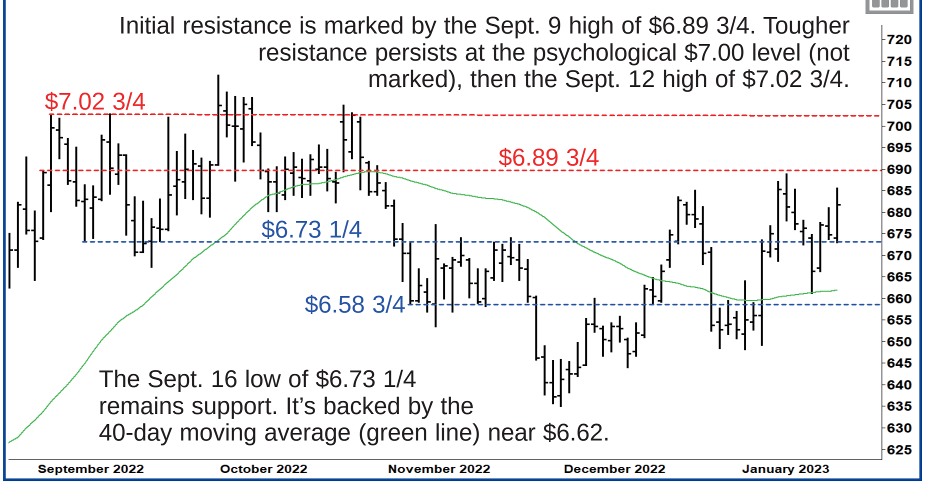
DAILY MARCH SOYBEAN MEAL

Position Monitor

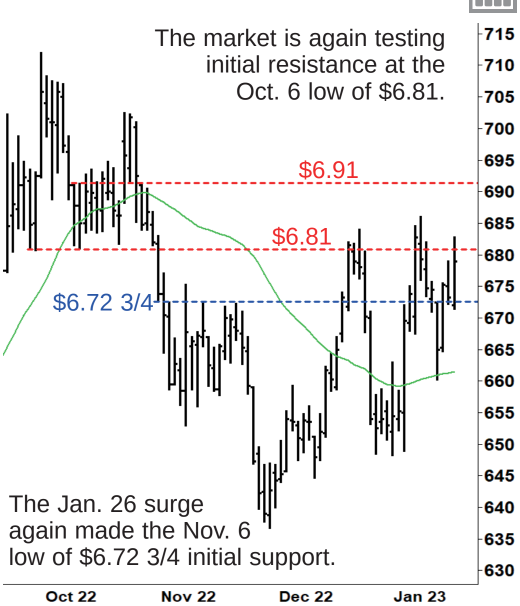
	'22 crop	'23 crop
Cash-only:	50%	0%
Hedgers (cash sales):	50%	0%
Futures/Options	0%	0%

Game Plan: Get current with advised sales when March futures are above $6.75. There is no urgency to increase sales at current levels since the downside should be limited by tight supplies. Be prepared to increase old-crop sales if March futures push to $7.00 or higher. The upside is likely capped much above that level by weak demand fundamentals. We would likely make 2023-crop sales at the same time as old-crop sales.

DAILY MARCH CORN



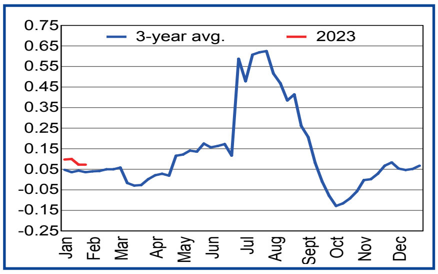
DAILY MAY CORN



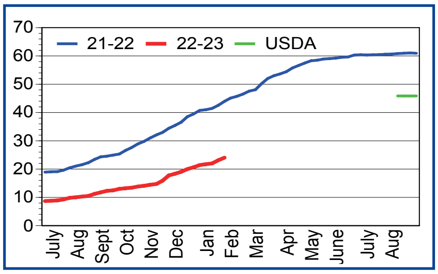
CORN - Fundamental Analysis

Bulls returned to the corn market last week, with the weekly export data again showing big gains from slow fall levels. Improving Argentine rain seemingly came too late to help some of the crop, while sustained Brazilian precipitation seems in danger of delaying safrinha crop plantings, which could reduce production potential. The domestic situation and outlook remain tight, but anticipation of record Brazilian production is apparently depressing the May and July contracts below nearby March futures. This may also reflect domestic farmer reluctance to sell at current prices. We still view rallies as selling opportunities.

AVERAGE CORN BASIS (MARCH)



CORN EXPORT BOOKINGS (MMT)

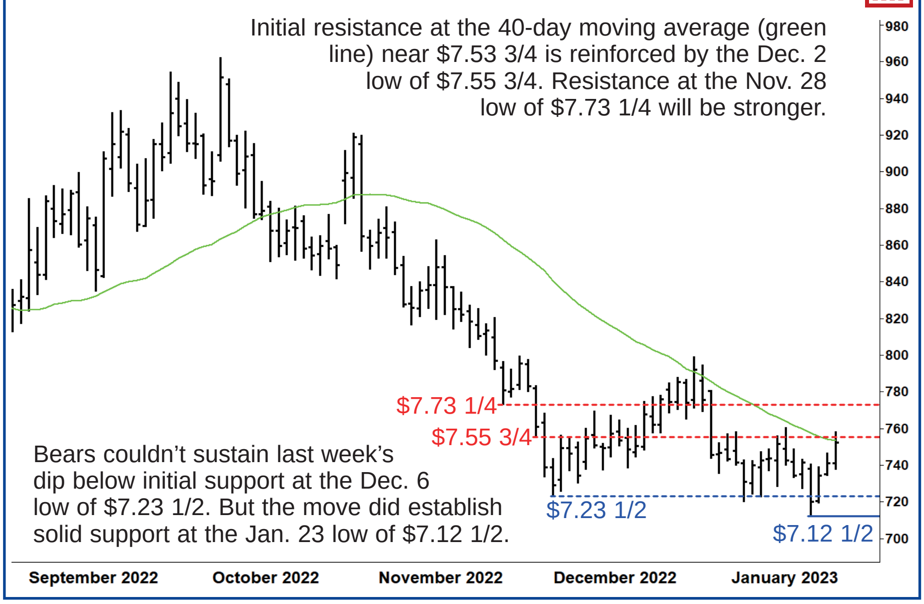


Position Monitor

	'22 crop	'23 crop
Cash-only:	85%	30%
Hedgers (cash sales):	85%	30%
Futures/Options	0%	0%

Game Plan: Given our sales levels, we are content to wait on an extended price rally to increase sales, though that would likely take help from corn and soybeans. Hedges may be needed on a drop below the recent lows.

DAILY MARCH SRW WHEAT



WHEAT - Fundamental Analysis

SRW — Having a top official in USDA's crop analysis division discount Russian claims of a massive wheat harvest played a big role in last week's corrective buying. Bullish spillover from corn and soybeans also encouraged wheat buying despite the improving Plains moisture situation.

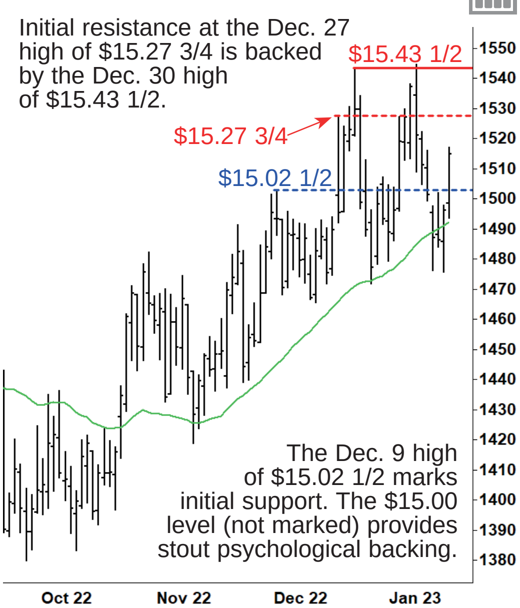
Position Monitor

	'22 crop	'23 crop
Cash-only:	70%	0%
Hedgers (cash sales):	70%	0%
Futures/Options	0%	0%

Game Plan: On Jan. 23, we advised selling another 10% of 2022-crop production to respect the technical action and take advantage of the strong basis. Get current with advised sales if you aren't current. We continue to view strong price rallies as selling opportunities as the upside is likely limited much above $15.00. Be prepared to make initial 2023-crop sales when we increase old-crop sales.

DAILY MARCH SOYBEANS

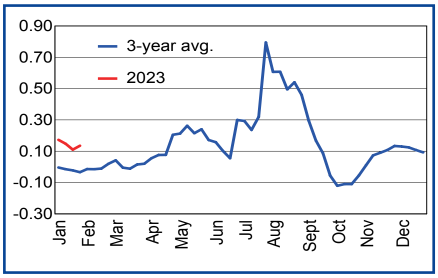
DAILY MAY SOYBEANS



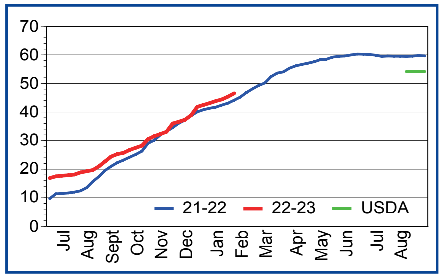
SOYBEANS - Fundamental Analysis

Sizable daily and weekly soybean export sales boosted the market last week, although soyoil is again testing lows around 60.00¢. Competition with the other crop markets for spring acreage has seemingly begun in earnest. Bulls may also be responding to forecasts for sustained Brazilian rains, with those turning from a major blessing during the growing season to a problematic issue as the harvest season gets underway. As with corn, Argentina's recent rains may be too late to boost soybean yields substantially. Still, the well-supplied global situation will likely keep a cap on domestic price potential, so a keen watch for selling opportunities is warranted.

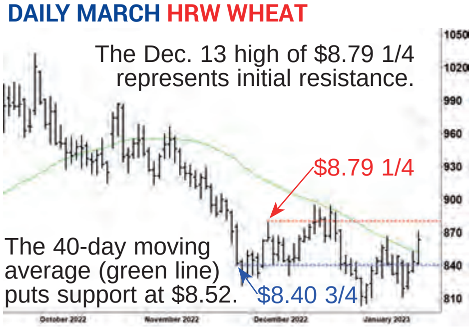
AVERAGE SOYBEAN BASIS (MARCH)



SOYBEAN EXPORT BOOKINGS (MMT)



DAILY MARCH HRW WHEAT

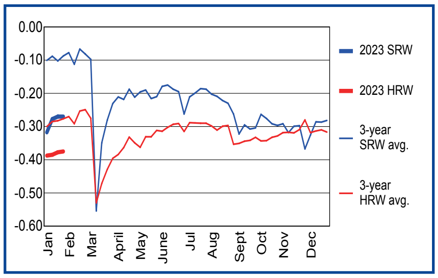


DAILY MARCH HRS WHEAT

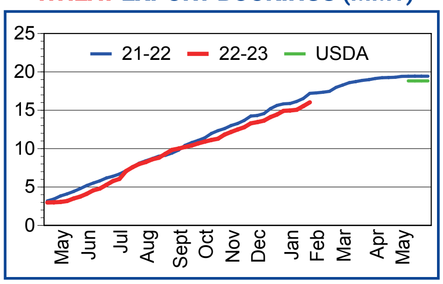
HRW — HRW traders are trying to balance improving Plains moisture versus the potential for winterkill. Conclusions at this point are premature with the month of February just starting. HRW futures will likely keep following corn and soybeans, but the Jan. 26 breakout above the 40-day moving average looks significant.

HRS — The HRS market continues competing with corn and soybeans for acreage, while the Jan. 26 surge also seems technically important. The advance may also reflect forecasts for sustained dryness over the Canadian Prairies, which could presage reduced plantings up north. There is little reason to rush sales.

AVERAGE WHEAT BASIS (MARCH)



WHEAT EXPORT BOOKINGS (MMT)



Position Monitor

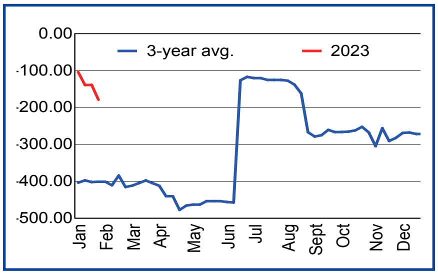
	'22 crop	'23 crop
Cash-only:	70%	0%
Hedgers (cash sales):	70%	0%
Futures/Options	0%	0%

Game Plan: Be prepared to advance sales on an upside breakout from the consolidation range. Short-term hedges may be advised on a downside breakout.

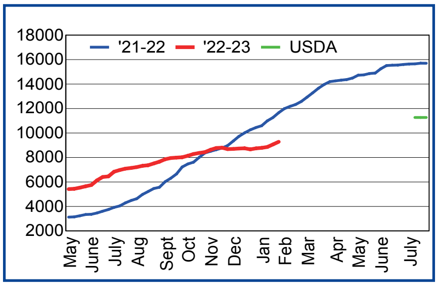
COTTON - Fundamental Analysis

Cotton export sales have surged in the new year, with talk of a Pakistani shortage and reduced U.S. acreage seeming to presage tightening supply/demand conditions this year. We suspect cotton will bid for acreage via a rally during the weeks ahead.

AVERAGE COTTON BASIS (MARCH)



COTTON EXPORT BOOKINGS ('000 BALES)



DAILY MARCH COTTON

GENERAL OUTLOOK

Gold: Gold futures hit a nine-month high of $1,943.80 an ounce last week. The bullish technical chart posture has traders eyeing the all-time peak of $2,078.80 reached in March of last year.

The recent depreciation of the U.S. dollar is partly responsible for the gold market's surge. Moreover, longtime market watchers are wondering if gold traders sense the geopolitical landscape could become more turbulent this year and are buying the metal for its "safe-haven" reputation in anticipation of such developments.

If the U.S. Congress becomes mired in controversy over raising the debt ceiling, it could unnerve financial markets. Also, hopes for a stock market recovery presently hinge on a continued drop in inflation. However, if inflation surges again the general marketplace would sense big trouble.

WEEKLY NEARBY GOLD FUTURES ($/OZ.)

FROM THE BULLPEN By Market Consultant Dan Vaught

Cash cattle prices have a strong history of rallying during the first quarter, with the 10-year average implying a rise of approximately $10.00 from mid-December lows to late-March highs.

However, that rise becomes much more pronounced when feedlot marketings are current and supplies of market-ready cattle remain tight. Steer dressed weights are the best indicator of this phenomenon. We looked at the differing price performance of fed cattle during years when steer weights were running below year-ago levels in late January (instead of early January, when holiday-related marketing delays can cause short-term shifts).

We found five years — 2004, 2007, 2010, 2017 and 2019 — in the past 20 during which steer weights routinely fell below year-prior levels. Cattle prices in those years averaged $97.50 during the first week of the year, but had topped $110.50 by late March of those years, set back, then revisited that level in late April.

In contrast, the 15 years in which steer weights were running above year-ago in late January averaged a rise of just $3.00 from the first of the year into late March. These included the record-setting years of 2003, 2014 and 2015.

Steer carcasses averaged 914 lbs. during the week ended Jan. 14, down eight lbs. from year-ago levels. We expect more of the same and believe current marketings and low weights will power a strong rally into spring.

WATCH LIST

1	**USDA Cattle Inventory Report** Indication of beef supplies in 2023.	**TUES 1/31** 2:00 p.m. CT
2	**FOMC Meeting Concludes** Rates expected to rise 0.25%.	**WED 2/1** 1:00 p.m. CT
3	**USDA Soy, Grain Crush Rpts.** U.S. crush data for December.	**WED 2/1** 2:00 p.m. CT
4	**USDA Export Sales Report** Soybean sales to China in focus.	**THUR 2/2** 7:30 a.m. CT
5	**Unemployment Report** Jobs data for December.	**FRI 2/3** 7:30 a.m. CT

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