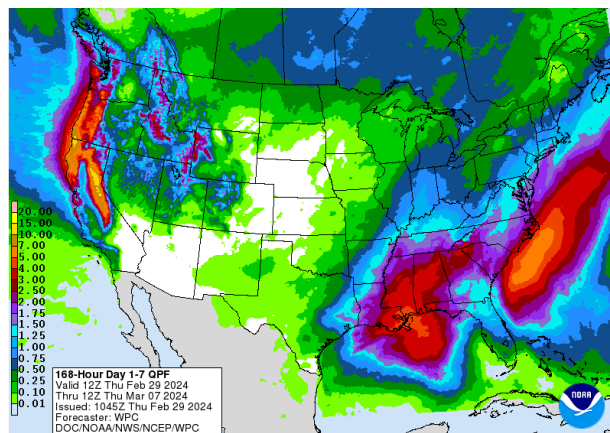


## Weather

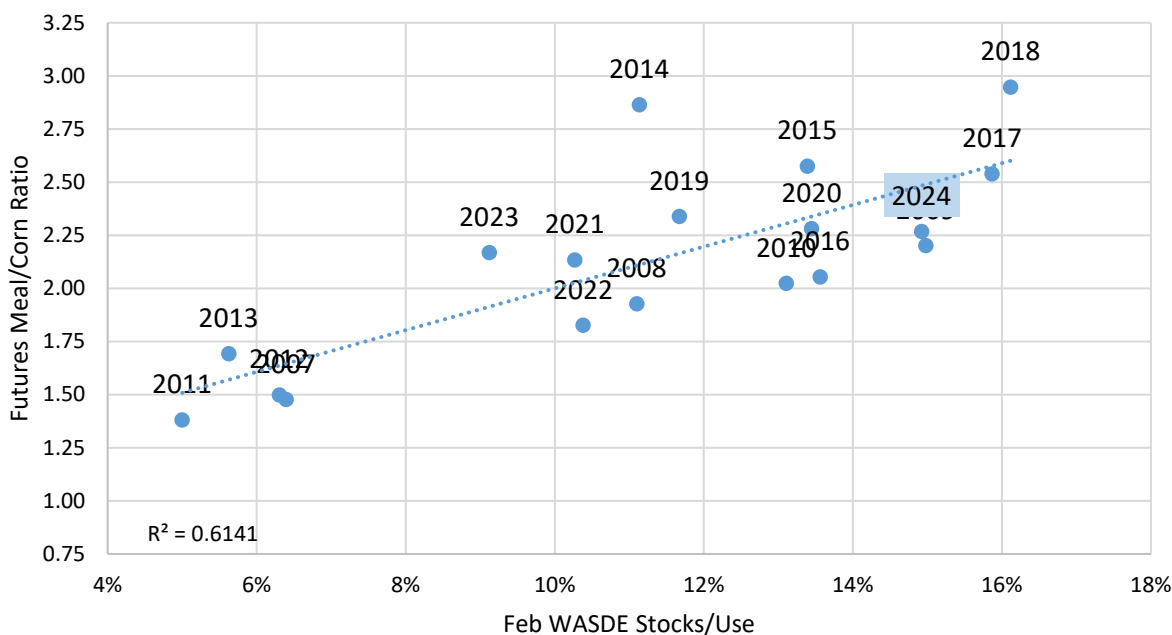
Nothing new. Below normal rainfall in northern Brazil for a few more days but the Week 2 period should feature better rainfall chances. Southern Brazil has seen good rainfall lately and should see additional chances spread out over the two week forecast period. Argentina should see nice rainfall over the weekend before a week of dry weather settles in. Then we should see another uptick in rainfall chances in the 11-15 day period. Overall weather conditions should remain favorable for crop development. Note in the map at the right how the WCB and Plains are expected to see limited moisture over the next week.



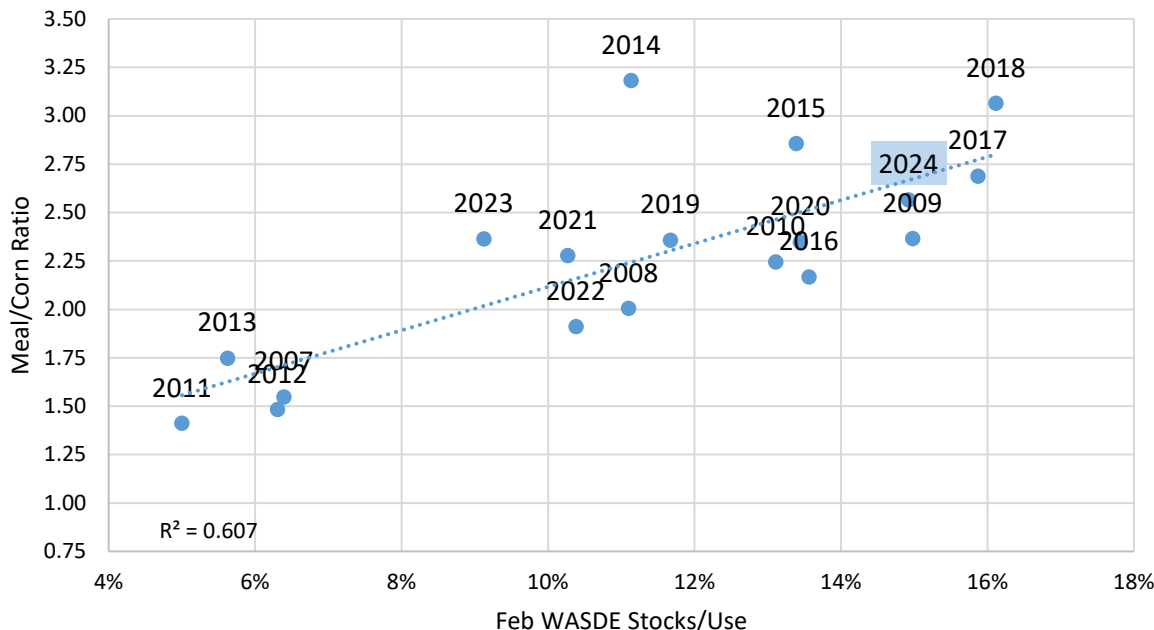
## Crops

There isn't a whole lot of new info to pass along right now, and when that is the case I normally fall back on throwing out some random price scatters. I'm guilty of doing that again this morning. With strong Brazilian and US crush levels and a likely improvement in Argentine rates (as discussed previously) there is a lot of negative sentiment towards meal right now. Makes sense to me. My problem has been that I've never found a good way of modeling meal prices vs. the S&D for meal. However, as shown below, I have been able to model the meal/corn ratio vs. the corn S&D. I show two scatters below. One plots the futures ratio vs. the Feb WASDE corn stocks/use and the other plots the IL cash market ratio. In both cases, I think there is a strong argument that the ratio is relatively close to "fair value".

**End-Feb Spot Futures Meal/Corn Ratio vs. Corn Stocks/Use (Feb WASDE)**



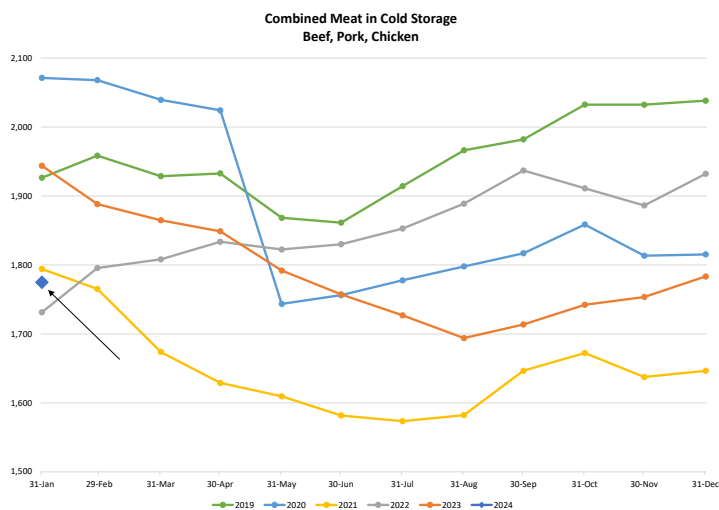
End-Feb Cash Meal/Corn Ratio (Illinois) vs. Corn Stocks/Use (Feb WASDE)



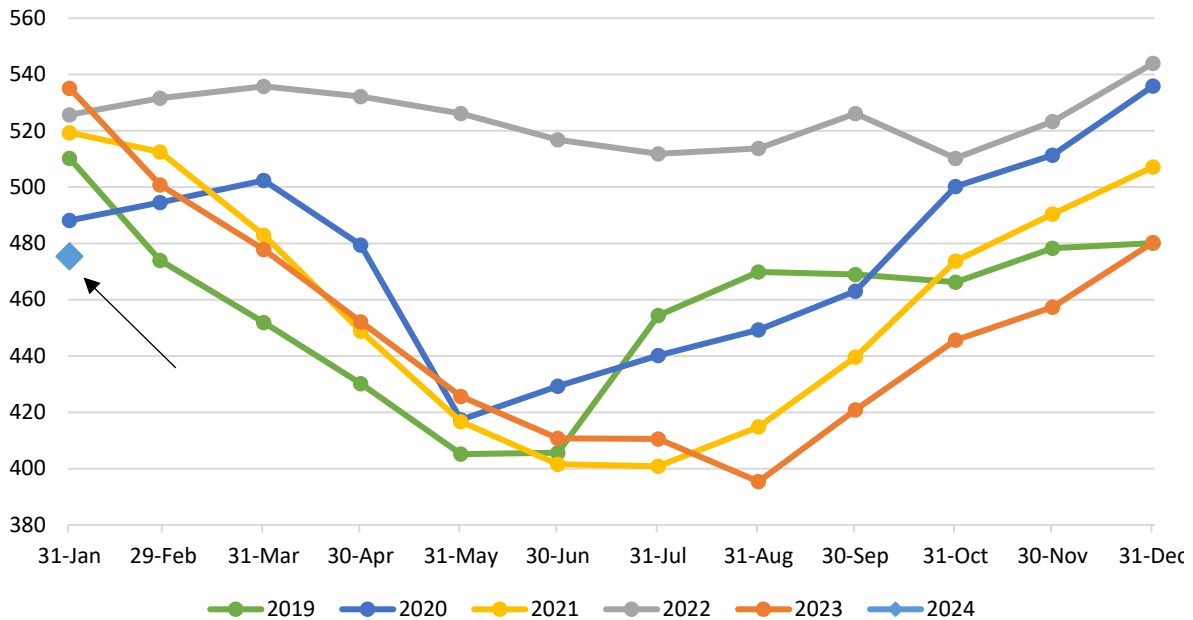
So if the ratio is “fair value”, what’s the point of looking at this? Well firstly, just as food for thought. Secondly, I have posted some scatters suggesting corn prices are still a bit “rich” relative to the WASDE balance sheets. If that is true and corn still has further downside, then it would make sense to expect that meal will follow lower as well. And again, with a big global crush fueling the biofuels frenzy...maybe this ratio is destined to look a little cheaper than a historical “fair value”. Thoughts appreciated.

## Livestock

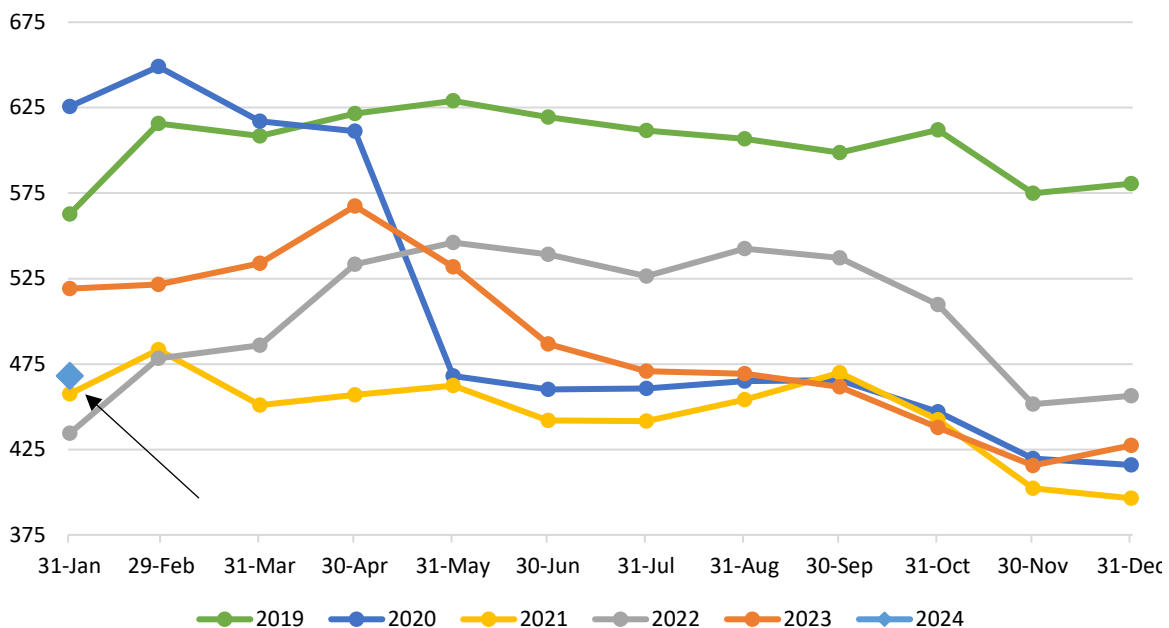
The Cold Storage report was issued earlier this week. I don’t normally pay a ton of attention to it, and I actually ignored this month’s release initially. However, it was pointed out to me that the latest report showed some historically low cold storage levels for meat so I thought it might be worth a very quick look this morning. The chart at the right looks at the combined cold storage inventory for beef, pork, and chicken. You can see it is well under year ago levels and the only recent year it was lower was 2022. Aside from 2022, we typically see the total inventory trend lower in the months ahead. Charts on the next page look at cold storage levels for beef and pork individually. They paint essentially the same picture. The beef number, in particular, sticks out as the seasonal tendency calls for smaller inventories in the months ahead.



**Cold Storage - Total Beef**



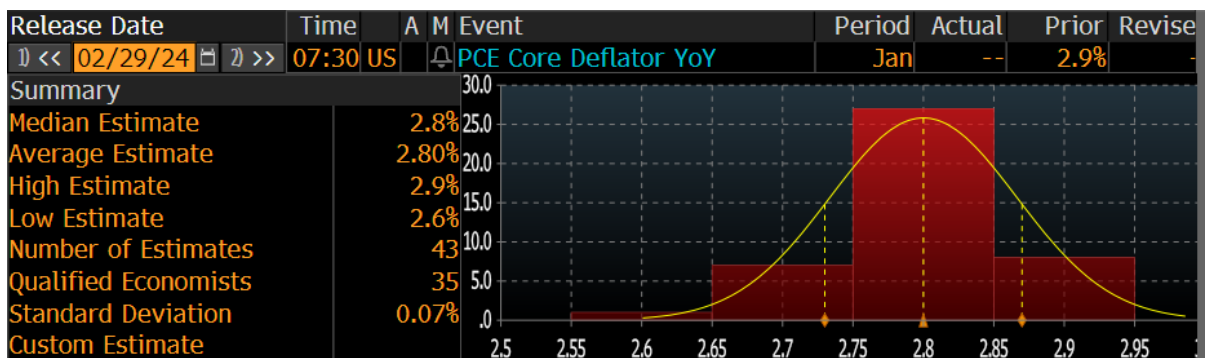
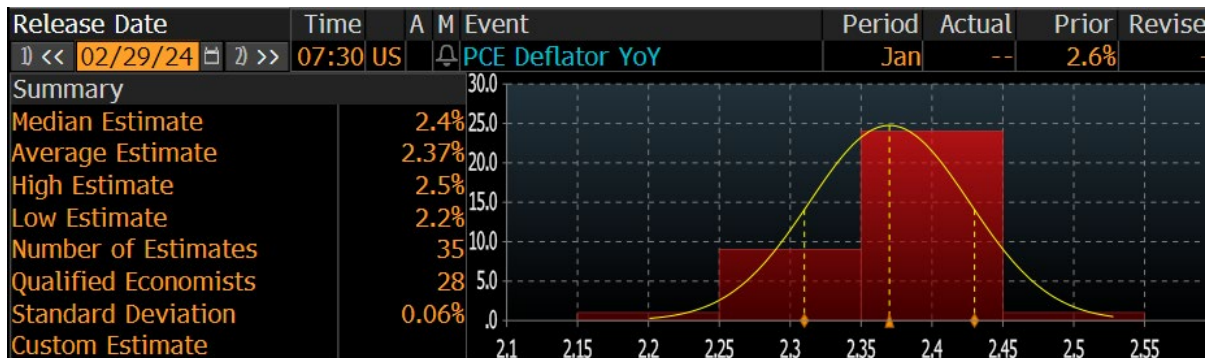
**Cold Storage - Total Pork**



I've learned over the years to not put too much emphasis on the cold storage numbers, so maybe I'm wasting my time bringing it up this morning. That said, the inventories do seem a bit peculiar. Thoughts appreciated.

## Financials

The Fed's preferred inflation measure will be the focus this morning. PCE is calculated differently than CPI, so there is some thought that the PCE measurement might not be quite as "hot" as CPI was earlier this month. Unfortunately, I don't have much value to add on that particular debate. The charts below breakdown the Bloomberg survey range of expectations for both the headline and core figures.



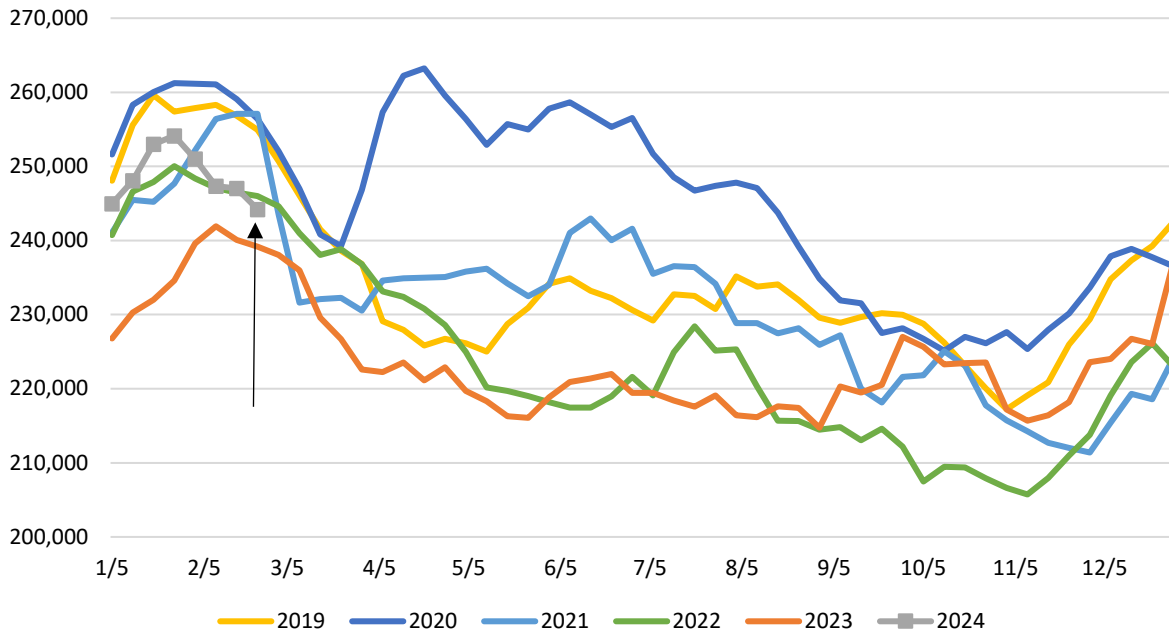
We also have another busy day of Fed speakers...and these could move the markets just as much as the PCE release in the morning. Overnight a BOJ official said their price target is "finally coming into sight", which is yet another signal that the BOJ will eventually tighten monetary policy this year. This has produced a modest bounce in JPY overnight.

## Energy

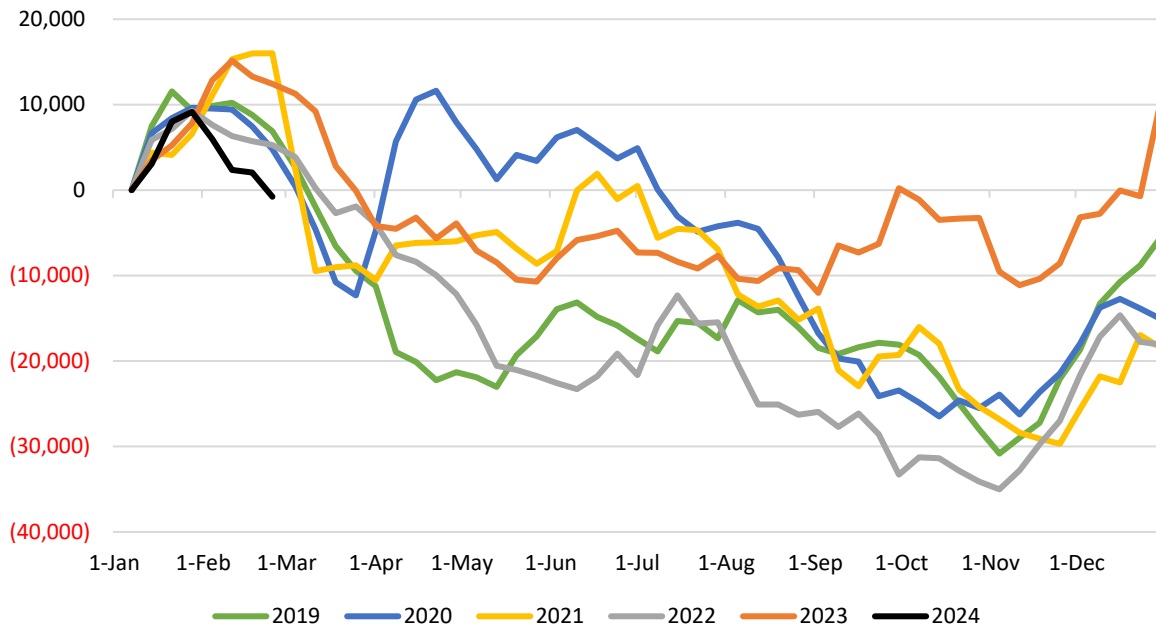
We've got into the habit of posting the chart of US motor gasoline stocks on a weekly basis here. The chart once again follows on the next page. It seems pretty clear that we've put in our seasonal peak in gasoline stocks already. Inventories are above year ago levels, but compared to other recent years they don't look particularly impressive.

The second chart on the next page looks at the net change in stocks vs. the start of the year. This shows that US gasoline stocks have turned down faster this year than the prior several years. This is all the more interesting when you consider that the implied domestic demand numbers aren't particularly impressive.

**US Total Motor Gasoline Stocks**



**Net Change in Gasoline Stocks vs. Start of the Year (1,000 bbls)**



**Today's Calendar (all times Central)**

- PCE Deflator – 7:30am

- Export Sales – 7:30am
- Jobless Claims – 7:30am
- EIA Natural Gas Storage – 9:30am
- Several Fed Speakers

Thanks for reading.

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