



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Morning Ag Markets

Pete Loewen

It was a very dynamic start to the month of December yesterday as several markets enjoyed steep gains and giant trading ranges, while others just kind of floundered around not doing much all day. Outside market action recently has had crude oil getting hammered lower because of OPEC's recent move to not lower production, the dollar stronger and metals creeping higher through the month of November right along with that dollar index. All of those markets had the huge ranges of trade and a lot of it very shaky in terms of finding valid reasoning. Metals and crude futures were sharply lower early, then up big. The dollar index finished really weak. Wheat futures and feeder cattle futures stole the show for bullishness in the ag markets, but nothing else ag-wise did very much, which made it a really strange day.

I mentioned last week how the bearish contention was growing in the cattle complex, but fundamentals weren't following suit and didn't really justify the declines. Here we are with product still supported and cash feedlot trade last week steady and now finally the futures gaining some nice upward momentum after yesterday's price action. I'll still contend that I am in no way uber-bullish cattle, but at the same time I don't see any reason for it to decline sharply in the short and intermediate term either. The cattle complex should remain fairly well supported in a trading range for a while yet.

Cattle slg. ___111,000 -4k wa -5k ya

Choice Cutout ___257.48 +.08

Select Cutout ___245.34 -.51

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Feeder Index:___240.45 +.45

Lean Index.__88.45 -.34

Pork cutout___93.92 +.78

IA-S.MN direct avg__86.06 +.06

Hog slg.___ 431,000 -4k wa -8k ya

Moving on to the grains, reiterating what I stated earlier, it was a boring day for corn and soybeans, but a huge day in the wheat complex with 20+ cent gains across the board and Chicago wheat futures pushing up against 30 higher on a few contracts. Legitimate domestic fundamental bullishness was non-existent, so in my opinion it was a combination of money flow and friendliness attached to the rumors that Russia was thinking about shutting down or trimming back wheat exports. Funds reportedly bought close to 13,000 wheat yesterday while staying flat corn and beans. The Russia news has caused export basis levels to prop up in the EU and other areas, but US domestic wheat is still overvalued compared to the rest of the world. That's why the rally yesterday lacked much fundamental sense. I liked it! Just have a hard time justifying it...

Without any more crop progress and condition numbers being released until spring, the Tuesday morning news flow has slowed down quite a bit. Time to get into the wintertime doldrums of talking about South American and Australian weather, as well as waiting for the next daily export announcement. Brazil is estimated at 85% planted now versus 89% a year ago. In Australian news, ABARE lowered their wheat production forecast to 23.2 mmt's compared to their previous 24.2 mmt's. With no 8:00 a.m. USDA daily export reporting this morning, we have now covered all the wintertime news too- exports AND Southern Hemisphere production!

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