



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Morning Ag Markets

Pete Loewen

In the meat complex, all three markets fell under active pressure with triple digit losses in live and feeder cattle and hogs having a few contracts down over \$2.00 at the settlement. Cattle market fundamentals haven't slipped much, unless this futures break hurts the cash feedlot market resolve, so I'm not buying into too much more bearish momentum in cattle short term.

Cutouts are still well supported, plus the feeder index has taken two huge leaps higher, up \$3.49 two quotes ago and another \$1.05 yesterday. That left the spot feeder futures more than \$10 below the index. Granted, that's also a January spot contract now, which has a long road ahead before the index and futures need to move together, but this market has widened that gap considerably here recently.

Cash feedlot trade is losing some hope this week as futures dip even farther away from the previously traded levels. \$173 cash last week compared to \$166 futures unfortunately moves a considerable amount of leverage into the packer's hands. I know there were some cattle traded in the north yesterday at \$168 and Southern Plains bids were in the \$166 range. I don't think we'll fall as deep as those bids by any stretch and it would be awfully nice to see a 1 and a 7 in the handle this week, but at this moment anyway that looks like it might be a stretch.

Cattle slg. ___106,000 -9k wa -16k ya

Choice Cutout__256.41 +.05

Select Cutout___241.78 -1.88

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Feeder Index:___244.99 +1.05

Lean Index.___88.64 +.19

Pork cutout___91.96 -.20

IA-S.MN direct avg___85.86 -.75

Hog slg.___ 428,000 +9k wa --17k ya

Moving on to the grains, it was a very volatile day across the ag markets as a whole and grains spent the lion's share of the session lower only to have corn and soybeans catch a bid and rally back to mildly higher closes at the finish. Wheat remained down in the double digits lower, bringing back a little fundamental reality after the 20+ higher action from Monday. World supplies are huge, US supplies are adequate and US wheat is still priced too high relative to competing exporters around the world, which is why we aren't getting much attention lately in the weekly sales numbers. Despite that, the market was obviously extremely strong on Monday with 20+ cent gains and started the day Tuesday with another new recent high..., and then the rug got pulled out from underneath the market.

Stats Canada crop production numbers came out this morning. Most of the principal crop numbers continued to fall well shy of last year's production totals, but some were also quite a bit above the last set of production estimates that were released in October. Barley was close to unchanged from October, Canola up to 15.6 mmt's from 14.1 in the last report. Corn and corn silage numbers were both larger than October. Oats at 2.9 mmt's versus 2.7 in the last report. Soybeans at 6.0 versus 5.96 in the last report and all wheat up to 29.3 mmt's compared to 27.5 in October. Most of these numbers should provide some bearish undertone to the market, but keep in mind for instance in the wheat numbers that an increase to 29.3 mmt's is still well below last year's 37.5 number.

There were no daily sales reported this morning, but the weekly numbers came out right on schedule. Corn sales were neutral with 46.1 mln in sales. Soybeans were bullish at 43.3 mln. Wheat sales were bearish at 11.7, along with 200,000 in cancellations for next year's new crop. HRW wheat sales were reduced by 700,000 in this year's sales from more cancellations than new

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business and once again spring wheat was the most active of the 5 classes with 6.3 mln of the 11.7 total.

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