Loewen and Associates, Inc.
Commodity Consulting/Brokerage
Pete Loewen, Matt Hines,
Doug Biswell, LaVell Winsor
866 341 6700
www.loewenassociates.com

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Morning Ag Markets

Pete Loewen

Rounding out and finishing off the Christmas holiday week the feeder cattle futures went on yet another wild and wooly ride trading significantly lower early in the session and then rebounding to just moderate losses at the closing bell. When the daily trading range in contracts like March Feeders equates to a nearly $52/hd swing in value for an 800 lb feeder, the anxiety created by these huge ranges is uncomfortable to say the least.

Product trade as well as the negotiated cash feedlot action was well supported last week with very strong gains noted in both. The product side can be explained by the fact packers are facing two sharply reduced kill weeks between Christmas and New Years and a large total tonnage reduction giving processors the ability to price cuts higher from the lower supply. What didn't make sense, but I liked nonetheless was the fact they were also willing to pay higher money to procure cattle at the feedlot gate. With a lot lower kill total over two weeks that higher money was nice, but it was also hard to rationalize.

Feeder cattle and calf market trade is also very thin with a lot of sales taking a week or two weeks off for the holidays. The index has fallen just shy of $12 over that timeframe, but futures are down $12.88 and when taking into account the highs and lows of the daily ranges, futures have been in a lot broader range than the $12.88 shows which was focused only on closing prices. The reality for feeders is that there is an approximate $12 premium of the index versus futures and over the next 30 days heading into expiration of that January contract, those prices are going to come together and fill the gap.

Cattle slg.___44,000   zero YA

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Choice Cutout__244.52 +.58

Select Cutout___235.61 +2.42

Feeder Index:___225.60 -1.41

Lean Index.__79.81 -.78

Pork cutout___87.65 +.26

IA-S.MN direct avg__75.49 +.16

Hog slg.___ 187,000 zero YA

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Moving on to the grains, Wednesday's abbreviated trading session before the Christmas break brought heavy selling to wheat and soybean trade and moderate losses in corn. Friday the beans bounced back nicely, corn was up with mild to moderate gains and wheat settle flat, finishing higher in KC and mixed to lower in Chicago. Liquidity was thin last week, but volatility was active as markets moved sharply in both directions at times, seemingly oblivious to fundamentals. Typically there isn't a lot of news flow around the holidays anyway.

Wheat market news is riding the edge of a mixed bag of news.   There is still a lot of uncertainty surrounding Russia's export potential in coming months based on their currency tanking.   There were export tariffs imposed last week, but they don't take effect until February 1 the way I read the story. On the other side of that friendly potential was Ukraine's report of 7% more winter grain acres planted this fall compared to the previous year. Weather in the US should be supportive to wheat price this week as temps drop into the single digits in the central and southern plains and the negatives in the Dakotas.

Export sales numbers were supposed to be released on Friday, but were delayed until this morning for some reason??   Wheat sales were 293,100 mt's which was down 39% from the previous week and bearish. Corn export sales were 1.7mmt's, which is up sharply from the previous week and very friendly.   Milo sales were monstrous as well at 584,300mt's. The soybean total came in at 635,800 mt's and were down 9% from the previous week, but should still be viewed as slightly supportive.

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On a final note, South American weather continues to be favorable by most accounts, which is leading to thoughts their production estimates may be headed up in coming weeks.

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www.loewenassociates.com

peteloewen@cox.net

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