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

Date: 12.31.2014

Morning Ag Markets

Pete Loewen

The cattle complex took a little break from the wide market swings yesterday and settled into a lot quieter action. Granted, there were still some $2.00+ total ranges from high to low in feeders, as well as the live market, but the closes showed only one contract between the two markets with a triple digit net change and that was the August feeders at $1.12 higher. Feeders finished the day on the plus side across the board and the live market was lower on the front three contract months and higher on the back end. Hogs finished in the red.

The $11.14 drop in the CME cash feeder index from two days ago was followed up by a much more reasonable $3.07 advance yesterday. Futures still finished premium to the index, but it was by less than $1.00 compared to the near $3.00 on Monday. In my opinion, we'll see more gains in that index next week when a more active slate of auction trade resumes after the holidays.

Cash feedlot trade by most indications should be higher this week with packers likely stepping up to the plate today with more active bids after reportedly coming out of last week short bought still. Last week's cash took a very nice jump and yet I've heard stories that packers are still short even though we have faced two heavily reduced kill weeks due to Christmas and New Year. Next week's full kill schedule provides some bullish hope. If cash can take another jump this week, it will be a big step towards starting the 2015 trade off with supported futures.

Cattle slg.___116,000 unch wa +13k ya

Choice Cutout__247.20 +1.53

Select Cutout___236.74 +.23

Feeder Index:___217.53 +3.07

Lean Index.__78.56 -.17

Pork cutout___86.73 -.15

IA-S.MN direct avg__75.63 +.98

Hog slg.___ 433,000 +7k wa   +58k ya

****

Moving on to the grains, soybeans spent some time are higher money early yesterday, but fell along with the rest of the crop markets into the close.   Wheat futures suffered double digit losses, completely ignoring the temperature readings and any bullishness that might have provided. Corn and beans settled mildly lower.

With meal, corn and soybean basis weakening in many parts of the country, a lot of traders are developing a bearish bias based on the cash action.   Before jumping on that bandwagon, keep in mind the last two weeks of December and just after the first of the year are historically very active times for farmer grain movement and sales. Commercials and users are taking full advantage of that tendency and weakening bids as a result. A lot of people got overly bullish in late November and early Dec when basis and therefore cash price was rising, but in reality that was a very seasonal occurrence as well since not a lot of grain moves immediately post-harvest just after the bin doors are closed. Going from extra-tight supplies from the previous year still meant an extra push in basis in that post-harvest rise, but 400 mln bean ending stocks projected and 1.9bln+ in corn is a significant change from 1.236 corn and 92 mln beans. It is hard to stay overly bullish and not get bearish when domestic and world stocks are growing considerably this year. Futures price action hasn't eluded to that over the last couple of months since trading well off the lows, but there is still clearly more fundamental bearish bias than bullish when looking at the big picture.

On a final note, looking at South American soybean production and specifically Brazil, there was a lot of chatter yesterday regarding yield potential with some outside estimates as high as 100 mmt's were tamed by another set of estimates at 95 mmt's and shrinking rapidly. When you take into consideration that their crop year is in about the same timeframe as our late spring/early summer crops, there is a long row to hoe before harvest and in my opinion, it is best to take these wild ranges of estimate with a grain of salt because that's what they are worth at the moment.

Pete Loewen

Loewen and Associates, Inc.

Pete Loewen / Matt Hines / Doug Biswell / LaVell Winsor

www.loewenassociates.com

peteloewen@cox.net

866 341 6700