



Loewen and Associates

Commodity Consulting/Brokerage

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Date: 12.24.14

Morning Ag Markets

Matt Hines

I hope everyone was able to enjoy Festivus yesterday and air their grievances. Please be safe during the holidays and enjoy your time with loved ones. Wishing you all a great day and a Very Merry Christmas!

Markets will be open until noon today, closed tomorrow and reopen Friday at 8 am for livestock trade and 8:30 am for the grains.

Cash feedlot trade is very quiet so far this week with a lone packer bid at \$159 live vs offers at \$160+ still, most barns are closed for the holidays and hog packers are reportedly covered already for the rest of this calendar year. Futures volume has been thin this week as well with hopes that LC and LH lows are in from last week at \$155.97 for December LC, \$155.10 for February LC and \$78.67 for February LH. Feeders on the other hand after recovering \$8 to \$9 heading into Tuesday's trade were slapped down again for a triple digit day lower.

Quarterly Hogs and Pigs Report released Tuesday was slightly higher than expectations but mostly in line.

Dec 1 All Hogs @ 66.1 million head, 102% vs. LY and expectations @ 102%
Kept for Breeding @ 5.97 million head, 104% vs. LY and expectations @ 103%
Kept for Marketing @ 60.1 million head, 102% vs. LY and expectations @ 101.5%

The September-November 2014 pig crop, at 29.4 million head, was up 4% from 2013. Sows farrowing during this period totaled 2.87 million head, up 3% from last year. The sows farrowed during this quarter represented 48% of the breeding herd. The average pigs saved per litter was a record high 10.23 for the September-November period, compared to 10.16 last year. US hog producers intend to have 2.87 million sows farrow during the December-February 2015

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quarter, up 4% from the actual farrowings during the same period in 2014, and up 3% from 2013.

Cattle slaughter from Tuesday estimated at 116,000 head versus 114,000 last week and only 45,000 last year. Expectations are for a 400,000 head week.

Boxed Beef cutout values higher on moderate to fairly good demand and moderate offerings.

Choice Cutout__242.60 +3.24

Select Cutout__231.26 +1.04

Feeder Index:__224.76 -.94

Hog slaughter from Tuesday estimated at 431,000 head compared to 430,000 a week ago and only 185,000 a year ago.

Lean Index.__81.55 -.99

Pork carcass cutout__86.93 -.59

IA-S.MN direct avg__75.42 +1.56

National avg__74.33 -.23

Today futures looked to be mixed for both cattle and hogs. We could see some pressure in the hogs with slightly larger than expected numbers from the Hogs and Pigs report and continued pressure on feeders. The January contract dipped down to \$212.10 last week and I don't see much support again until the \$205 area.

Over in the grains, volume both for futures and cash grain have been very thin this holiday trading week. New crop hedging has picked up though so far this week. Corn futures remain on a steady to higher slow uphill climb, but basis is steady to weaker both domestically and at the Gulf. Spot ethanol margins are creeping into the breakeven or slightly negative territory with the upward movement of corn prices. Soybean and meal have strong demand supporting our breaks and large and growing world supply limiting our gains. Board soybean crush margins have been on a 5 day rally and have now recovered to \$1.28/bushel, off from last week's lows around \$1.10/bushel basis January. Wheat futures are trying desperately to hold above support levels with basis levels tanking domestically.

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Overnight grains were mixed with corn steady to up 1 while soybeans finished down 4 and wheat down wheat 1 to 3.

Ukraine updated their export estimates currently at 17.9 MMT this crop year to date compared to 17.5 MMT a year ago. The total includes 3.6 MMT of Barley, 6.4 MMT of corn and 7.8 MMT of wheat. The Ag Ministry stated they still expect exports of at least 33 MMT this crop year.

Russia now saying they may have to default on some wheat commitments to Egypt as Egypt's state buyer kindly reminded them they are obliged to abide by the contracts. Russia has around 3 MMT of grain to ship by the end of January with nearly 250,000 MT of wheat for Egypt.

Rumors overnight that China has purchased another cargo of US soybeans and 1 to 2 cargoes from Brazil for February shipment.

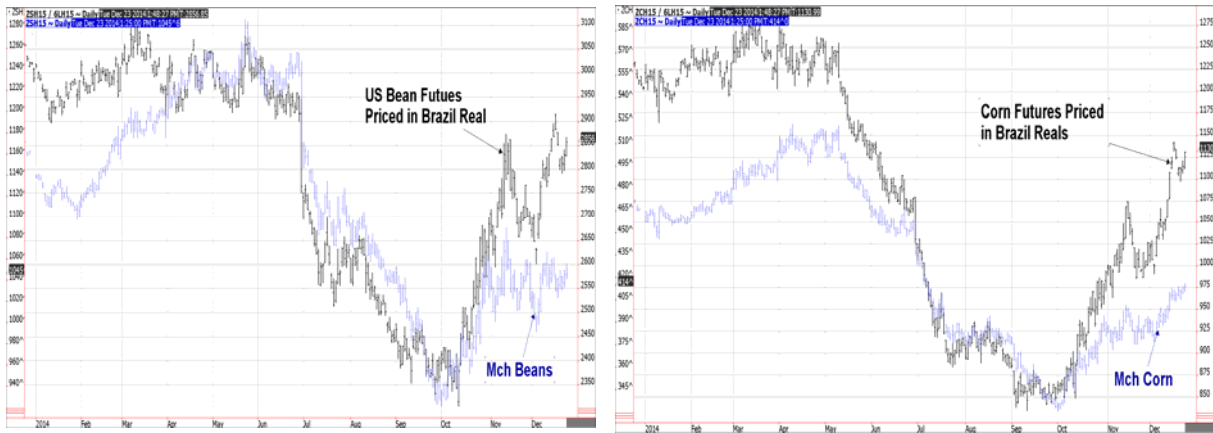
The charts are still not telling a different story today, March corn has some good support at \$4.05 and \$4.00 with a new nearby high yesterday at \$4.15 $\frac{3}{4}$ and a gap around the \$4.25 area equal to the 50% retracement from the high last spring at \$5.22 and the low around the 1st of October at \$3.30 $\frac{1}{2}$. January soybeans still sideways with support around \$10.12 and resistance at \$10.40 and trading in a \$.40 range the past 3 weeks. Wheat markets held the previous day's lows and the 10 day moving average still supporting the market and trending higher. When we get passed the holiday trade, look for traders to keep a close eye on winter weather.

The rain/snow mix is moving through today with warmer temps and some sunlight finally heading into Christmas day. I know it won't be a white Christmas locally but it will be good to the sun again. The SE and East Coast look to get the brunt of the system this week. On the 6-10 day maps forecasted temperatures and precipitation still showing mostly normal to below normal.

The charts below show the result fo a very weak currency and what it means to those farmers compared to US futures market. The gains due to a break in the Real is much larger than the price improvements shown in US futures. This will expand the effort to maximize production along with expanded double crop again this year.

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Linn Group Revenue Table for Corn Belt w/o Land Cost

12/23/14	Yld	Basis	Futures	Revenue	Cost	Net	Double Crop
Wheat							
SRW	80	-\$0.20	\$6.39	\$495.20	\$198.00	\$297.20	385.20
HRW	55	-\$0.20	\$6.74	\$359.70	\$198.00	\$161.70	
SPG	45	-\$0.80	\$6.73	\$266.85	\$198.00	\$68.85	
Corn							
	225	-\$0.40	\$4.37	\$893.25	\$455.00	\$438.25	
	200	-\$0.40	\$4.37	\$794.00	\$455.00	\$339.00	
	160	-\$0.40	\$4.37	\$635.20	\$455.00	\$180.20	
Beans							
	75	-\$0.40	\$10.23	\$737.25	\$187.00	\$550.25	
	60	-\$0.35	\$10.23	\$592.80	\$187.00	\$405.80	
	50	-\$0.35	\$10.23	\$494.00	\$187.00	\$307.00	
Double	30	-\$0.35	\$10.23	\$296.40	\$187.00	\$88.00	
Cotton							
	1050	-\$4.00	\$65.50	\$645.75	\$520.00	\$125.75	

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