



## **Loewen and Associates**

***Commodity Consulting/Brokerage***

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### **Morning Ag Markets**

#### **Matt Hines**

Overall yesterday was a massive sell off day in the grains and livestock, feeder cattle futures the only market higher. The US \$ was sharply higher and crude lower. Boxed beef prices were lower on light volume and cash hogs remain steady so far this week.

Feeders have been resilient lately, bouncing quickly off the \$230 level to push back north of \$235. Last month's high was at \$238.35 with the January contract high at \$239.30. Sale barns have reported mostly higher calf and feeders sales to start this week and futures still supported with an \$8+ discount to the cash index.

Yesterday, Canada's food inspection agency said two British Columbia farms have confirmed H5 bird flu strains. The farms have been quarantined and more testing will continue this week to find the extent of the disease.

Cattle slaughter from Tuesday estimated at 111,000 head down 6,000 from a week ago and down 11,000 from a year ago.

Boxed beef cutout values lower on light demand and light to moderate offerings.

Choice Cutout\_\_256.36 -1.12

Select Cutout\_\_243.66 -1.68

Feeder Index:\_\_243.94 +3.49

Hog slaughter from Tuesday estimated at 430,000 head down 4,000 from a week ago and down 8,000 from a year ago.

Lean Index.\_\_88.45 unchanged

Pork carcass cutout\_\_92.16 -1.76

IA-S.MN direct avg\_\_86.61 +.55

National cash avg\_\_85.92 +.67

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Feeders have been bouncing around a \$10 range the past 2 months here with support at \$230 and \$225. Concern may be building that at these near record prices, domestic demand may begin pulling back but for now fats are still holding an uptrend line and this pattern has been repeating for most of this year where we run up to new highs, pull back \$3-\$5 and then run up to new highs again. The largest of these roller coaster rides was back in late summer when we pulled back \$10 to then run up \$16+ over a 2 week period.

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Moving over the grains, soybeans led the way lower yesterday. January soybeans broke below \$10 and added so much pressure that sideways trading December corn broke support and now is eying the 10 day moving average at \$3.60. Wheat was unable to hold on as well even with EU futures higher and Australia cutting production estimates by another 4% or 2 MMT. I have also seen a private estimate reducing the Russian wheat crop by 4 to 5 MMT.

Most of the volatility talk has centered around feeders and soybeans but over this past month, wheat has added a \$1 quietly or behind the scenes per se. We will continue to have quality wheat issues for the remainder of this crop year which explains the basis strength and some of the rally. The rest of the rally though has just put us further out from building more demand in the world marketplace. The US is still projected to come in 2<sup>nd</sup> in world exports but the EU in first continues to pick up more business as does Russia and Ukraine.

### World Wheat Production & Trade (MMT & % of world total)

	Production		Imports		Feed		Exports	
World	719.86		153.44		139.87		154.92	
US	55.13	7.66%	4.63	3.02%	4.90	3.50%	<b>25.17</b>	<b>16.25%</b>
Argentina	12.00	1.67%	0.01	0.01%	0.10	0.07%	6.00	3.87%
Australia	24.00	3.33%	0.15	0.10%	3.40	2.43%	<b>17.50</b>	<b>11.30%</b>
Canada	27.50	3.82%	0.48	0.31%	4.50	3.22%	<b>22.00</b>	<b>14.20%</b>
EU	<b>155.40</b>	<b>21.59%</b>	5.00	3.26%	<b>57.50</b>	<b>41.11%</b>	<b>28.00</b>	<b>18.07%</b>
Brazil	6.30	0.88%	7.00	4.56%	1.00	0.71%	1.00	0.65%
China	<b>126.00</b>	<b>17.50%</b>	1.70	1.11%	<b>23.00</b>	<b>16.44%</b>	1.00	0.65%
Sel Mideast	17.53	2.44%	<b>21.13</b>	<b>13.77%</b>	4.02	2.87%	0.53	0.34%
N. Africa	16.80	2.33%	<b>23.25</b>	<b>15.15%</b>	1.98	1.42%	0.48	0.31%
Pakistan	25.00	3.47%	0.70	0.46%	1.20	0.86%	0.70	0.45%
SE Asia	0.00	0.00%	<b>17.00</b>	<b>11.08%</b>	2.51	1.79%	0.84	0.54%
India	<b>95.91</b>	<b>13.32%</b>	0.05	0.03%	4.50	3.22%	3.00	1.94%
Russia	59.00	8.20%	0.20	0.13%	<b>13.00</b>	<b>9.29%</b>	<b>22.50</b>	<b>14.52%</b>
Kazakhstan	12.00	1.67%	0.20	0.13%	1.90	1.36%	5.30	3.42%
Ukraine	24.50	3.40%	0.05	0.03%	4.00	2.86%	10.00	6.45%

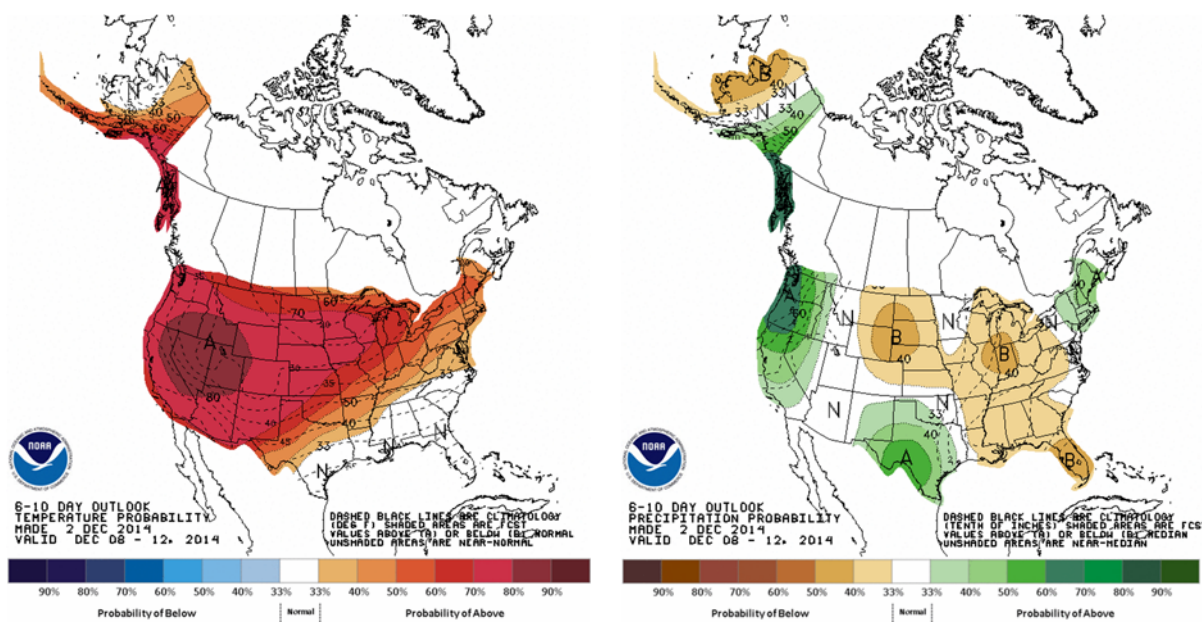
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Overnight, grains continued to the sell off with corn down 2, soybeans down 7 and wheat down 10 to 13 in all three pits.

Yesterday afternoon, Egypt announced a snap tender for another cargo of wheat when just 2 days ago they were preaching they are good until spring time. The US will not get any of this business but it will be good to see how far out we are now. As of now, it appears France will get the business but there is one competitive offer from Ukraine. On a good note, USDA did announce a sale of 196,000 MT of corn sold to Mexico for this marketing year.

If March KC wheat continues on this path lower to around the \$6.20 area, these past few days will be remembered as just another rumor spike high. It does have some support at current levels but on the cliff's edge now. March corn will need to stay above \$3.75 today or \$3.70 and lower will be the direction it will want to head next. January soybeans will find support at \$9.75 but the charts there look ugly as well. \$9.25 was the low back in early October with resistance now at \$10 and the \$10.25 area.



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