



**Loewen and Associates, Inc.**

**Commodity Consulting/Brokerage**

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## **Morning Ag Markets**

**Pete Loewen**

The livestock trade kind of took a back seat to the crop report action yesterday, but the closes were supportive in most of the cattle contracts and ugly in the hogs. Pork packers posted an enormous 455,000 head kill, dropped product price more than \$1.00, but kept cash close to steady. Futures were down in the triple digits on most contracts and \$2.00+ lower on the front two months.

The front two months in live cattle were mildly weaker at the finish, but there were nice gains from the June contract on out. Feeders settled close to \$1.00 higher in most contracts. There is still a HUGE discrepancy between cash quotes and spot futures quotes in both live and feeder trade. The CME Feeder Index is \$10 over January futures. With a \$1.53 drop in that index yesterday along with a 97 cent rally in futures, the spread did narrow by about \$2.50, but it obviously has a long way to go before expiration at the end of the month. Spot February Live Cattle futures are anywhere from \$9.50 to \$13.50 below the feedlot cash trade from last week and that contract has a long time till expiration or deliveries, yet that is a lot of ground to cover to get convergence between futures and cash as well.

Heading into the first of the year, a lot of traders thought cash market were going to lead the futures markets on a rampage higher. While cash shot up futures did nothing though and the reality of that occurring has really changed attitudes out in the country. It started with disbelief that futures could remain lower, but on the feeder cattle and calf market trade it has blossomed into heavy caution from buyers as to whether the futures have the ability to come up to cash. Deferred feeder futures look downright ugly compared to the front end and deferred live prices look the same. Not a good time to speculate and pay too much with so much pessimism built into the deferred board prices.

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Cattle slg. \_\_\_111,000 +5k wa -8k ya

Choice Cutout \_\_\_258.78 +1.99

Select Cutout \_\_\_250.38 +2.15

Feeder Index: \_\_\_233.69 -1.53

Lean Index. \_\_\_76.71 -.69

Pork cutout \_\_\_82.82 -1.14

IA-S.MN direct avg \_\_\_72.56 +.10

Hog slg. \_\_\_ 455,000 +23k wa +25k ya

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Moving on to the grains, often times the January final crop production, wheat seedings and stocks reports create limit moves and significant volatility. This time around though the volatility was isolated to the soybean trade and it was only moderate.

There were a lot of surprises in the report, but none obviously big enough to warrant any test of limits. The bean crop came in bigger than expected at 3.969 bln and ending stocks remained unchanged from the December number at 410 mln. World soybean stocks grew just shy of 1 mmts, partly from a 1.5 mmt increase in Brazil bean production estimates.

Corn production enjoyed a friendly surprise in smaller yield and production with total bushels coming in at 14.216, down from 14.407 previously. Ending stocks inched farther away from the 2 bln mark with 1.877 bln the new projection, well below the 1.940 bln average guess. World corn ending stocks dropped to 189 mmts from 192 and change in December. In the macro picture, that is still a bearish world supply number. However, with domestic stocks creeping lower and a lot of chatter about a sizeable potential drop in 2015 US spring seedings, the corn market looks to remain supported, particularly in the new crop contracts at least until we get into spring planting time.

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Wheat numbers in the report got a mildly bearish double whammy of US ending stocks jumping up to 687 mln. Average guesses were 663 and the December number was 654. World ending stocks projections rose to 196 mmt's up from 194.6 in December and that is a monster supply, resulting in world stocks to use of 27.5%. However, the winter wheat seedings number for the US was 2.25 mln acres lower than the average trade guess and just shy of 2 mln lower than a year ago. SRW wheat seedings were down 1 mln from last year and HRW wheat was down 1 mln. White wheat acres are up slightly. Despite the bearish reaction from the report yesterday with a couple of double digit losses in KC Wheat contracts, the plantings data should provide some market support. I just wouldn't get too overly bulled up about it, because you can't lose sight of the fact the world numbers are bearish, as well as domestic stocks to use of 32.6% being bearish.

Overnight export news had 105,000 tonnes of corn sold to unknown destination.

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