



**Loewen and Associates, Inc.**

**Commodity Consulting/Brokerage**

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## **Morning Ag Markets**

**Pete Loewen**

Watching cattle complex futures yesterday made more than a few people a little dizzy as prices fluctuated back and forth between significantly higher to significantly lower and ended up finishing down in the triple digits on a lot of contracts. After the pit close, the electronic session extended into DEEP losses with live cattle actually breaking below the old \$3.00 limit and into the expanded levels. The fact cash feedlot trade as well as feeder index quotes have been so much higher than futures action is what is baffling to the fundamental analyst crowd, which puts me in the same camp obviously. We get days like yesterday where the index did drop 58 cents, but spot January feeders dropped \$1.44, so the gap widened even more- out to \$11.92. The gap narrowed a little bit between January feeders and the next month out which is March. That spread closed at \$10.05.

There is also a lot of ground to be made up between last week's cash feedlot trade and the spot February futures. I'm sure some of that will unfortunately happen this week with some lower cash, but I don't think they have to hammer on cash exclusively to make it happen. Packers are pushing cutout values hard to the upside with choice and select both gaining over \$2.00 yesterday. If cash breaks harder than expected this week it will be because of the positive basis for hedged cattle feeders allowing it to happen. Otherwise, I would think packers should be willing to still pay fairly decent money.

Cattle slg.\_\_\_\_104,000 unch wa -14k ya

Choice Cutout\_\_\_\_263.81 +2.18

Select Cutout\_\_\_\_253.68 +2.00

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Feeder Index:\_\_\_232.07 -.58

Lean Index. \_\_\_76.11 -.15

Pork cutout\_\_\_84.31 -.05

IA-S.MN direct avg\_\_\_71.61 -.27

Hog slg. \_\_\_ 433,000 +20k wa +3k ya

Corn and wheat extended losses from recent sessions, but soybeans rebounded nicely into the close after trading weaker early. Some of the grain trade has been somewhat counter to the fundamentals as well, just like the cattle and because of that factor, I'm chalking part of the grain and livestock weakness up to spillover effect from extreme outside market action like what's going on in crude, the stock market and the dollar index. The ebb and flow of big speculative and managed money is moving grains and livestock at times, not so much the fundamentals, so it becomes difficult to justify action on some days.

Export sales numbers released this morning showed 41.6 mln bushels of beans sold which is bullish. Additionally, there were 11.2 mln new crop sales. Corn sales were 32.2 mln old and 1 mln new. I would consider that in the neutral to bullish category. Wheat sales once again were a disappointment, yet not really a surprise. 10.5 mln bushels was the total wheat number, along with 3.4 mln new crop. Wheat sales continue to struggle simply because US wheat isn't the cheapest wheat being offered in the world right now. That translates into our wheat either still trading at too high prices and needs to still move lower, or competing export countries need to boost prices and that isn't happening.

EU Strategie Grain raised soft wheat export estimates to 29.3 mmt's up from 27.2.

Argentina Rosario Exchange estimated bean crop at 54.5 mmt's down from 55 earlier. Corn production 22.4 mmt's up from 21.5. Wheat production at 12.1 mmt, up from 12.0.

Overnight export news had 127,000 tonnes corn sale to Japan.

## Pete Loewen

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