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Date: 01.06.2015

Morning Ag Markets

Pete Loewen

The grain and oilseed trade as well as the cattle complex started the first full week of 2015 trade with stout rallies in several markets. Hogs on the other hand, fell under moderate pressure on the front end, plagued by weak technical, good sized production and pessimism regarding expansion plans based on the last quarterly hog and pig report numbers.

Gains in the live cattle trade were only mild to moderate, but the significant rally in cash prices at the feedlot gate, plus winter weather fueling some of the rally should keep a decent shelf of support under prices. The range of negotiated cash trade last week was $166 up to $169 and the spot February is parked right at par to slightly discounted to those prices. With cash expected higher again later this week, the only potential omens it seems the market can face are outside forces like the big dip in stock market values yesterday, or the continued washout in crude, or strengthening dollar. In reality, those are all potential bears in hiding, yet live and feeder futures as well as product and cash trade have resisted the spillover effect thus far from any of them. They're a snake in the grass though, so I'm wary of it still.

In the feeder cattle and calf trade, the big southern sales of OK City and Joplin finally resumed Monday after long holiday breaks. Joplin reported steep gains over their previous numbers with the biggest push coming on lighter weight calves on both steers and heifers. Oklahoma City was strongly higher on feeder steers and steer calves compared to their previous sale which was all the way back on December 15th. Feeder heifers and heifer calves were all weaker, counter to the steer trade.

If you remember back to last week when the CME Feeder index dropped $11.14 in one day, that brought the index and spot futures quickly into a premium futures and a much closer price differential. Well, yesterday the index jumped $10.79 and promptly flipped the price relationship back to premium cash over futures. We thought the futures market was ultra-volatile, but the index has trumped board movement by leaps and bounds on two different occasions now!

Cattle slg.___106,000 -10k wa   +4k ya

Choice Cutout__249.36 +.33

Select Cutout___240.43 +.03

Feeder Index:___228.74 +10.79

Lean Index.__77.91-.20

Pork cutout___83.30 -.02

IA-S.MN direct avg__74.67 -1.10

Hog slg.___ 437,000 unch wa   +127k ya

Moving on to the grains, there was a huge push up in the fall crop markets yesterday as corn finished in the double digits higher, beans less than 3 cents away from 40 higher and wheat trailing well back at just mild gains.   There was a 223,000 mt sale of old crop beans to China that was an aid to the friendliness, but that wasn't a 37 higher-type story. In the bigger picture, I think funds being active on the buy side in the New Year was as much of a push higher as anything.

There was another bean sale announced this morning, but this time it was new crop beans at 243,000 tonnes to China in the 8 a.m. reporting.

Several states released winter wheat ratings yesterday. Kansas had 49% in the g/ex category compared to 61% g/ex in November.   Nebraska was 57% g/ex versus 69% in November.

South American weather is still conducive to good crop development. A few areas of dryness are popping up, but overall I don't think it is anything to get bulled up about yet.

Between Friday and Monday we'll get a full slate of reports to digest with Friday being the Brazil government's crop production estimates. Monday is the final US crop production and S&D numbers in the big January report. I think Informa comes out today with their estimates for the numbers and we'll talk about the full slate of average guesses when they come out later in the week.

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