



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

**Pete Loewen, Matt Hines,
Doug Biswell, LaVell Winsor
866 341 6700**

www.loewenassociates.com

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It actually turned out to be a decent week for the cattle complex futures as prices rebounded and ended higher on the weekly charts. The negotiated cash feedlot trade was steady. Beef cutout values and feeder cattle and calf market cash trade were both still feeling the brunt of the bearishness though with prices ending under hard pressure still on those items. Choice cutouts fell \$11.20 from Friday to Friday. Since the middle of the month they have dropped \$21.37, falling 12 consecutive days in a row and all but two of those were triple digits lower. Ironically, before dropping all the money, the last quote the day before the freefall started was a new all-time high at 263.81.

Between all the export turmoil off the west coast and a stronger dollar index encouraging imports and discouraging exports, the last 2-3 weeks have been a snowball lower right up until late last week when futures and cash feedlot trade started to show signs of stabilizing. Like I said previously though, the feeder cattle and calf market trade was still under heavy pressure and showing no signs of letting up at most of the sales last week. The sad part is that even after the heavy losses in feeders destined for the finishing yard last week, most of them still walked into those pens bearing the burden of a triple digit first cost loss.

Cattle Inventory report numbers were released Friday afternoon and came with a bearish shock as expansion efforts were stronger than forecasted. All cattle numbers were 101% of a year ago compared to pre-report estimates at 99.9%. The calf crop was 33.9 mln head, up 1% from last year and the expectations for that number were 98.5% of a year ago. Beef cows and heifers that have calved were up 2% from last year compared to estimates of .6% higher. The final bearish beef cattle number was beef replacement heifers at 104% compared to 102.7% average guesses.

Cattle slg.____105,000 -3k wa -8k ya wtd 563,000 -13k wa -9k ya

Choice Cutout__242.44 -2.15

Select Cutout___235.74 -2.60

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Feeder Index:___211.69 -2.21

Lean Index.___71.13 -.60

Pork cutout___78.33 +.03

IA-S.MN direct avg__66.01 -1.44

Hog slg.___424,000 +5k wa +10k ya wtd 2.260 mln -58k wa +131k ya

Weekly closes in the meats had February live cattle up 4.50, april up 3.47, march feeders up 3.37, april feeders up 2.85 and February lean hogs down 1.82.

Opening calls in the meats today are a little interesting. On one hand we have the bearishness of the inventory report, feeder trade and weak product action that should be pulling futures lower at the start. The other hand has a strong weekly close and steady feedlot trade instead of the \$4-\$5 lower we'd seen every other week in January. I still think we have a shot at triples lower in feeders and fats at the start, along with weak hog trade in sympathy.

In the grains, we had a bad close Friday, bad closes for the week, new recent lows in corn that had it finally joining the soybean and wheat charts in bearish trends and overall just really sour trade. It's not that the markets completely fell out of bed and looked terrible, because they didn't. We just had moderately lower weekly closes. It was just the fact the chart technical look sick and it will be a tough uphill battle to get things legitimately turned around.

Weekly closes in the grains had march corn down 16 ¾, December corn down 16 ½, March beans down 11 ¾, November soybeans down 14, march kc wheat down 23 ¾ and new crop july down 26.

Daily export reporting showed 132,600 tonnes of corn sold to Mexico.

Fund positions from last week showed index funds liquidating long corn, adding long beans and liquidating wheat. Managed money positions are still long corn, but liquidated it actively last week. They added to soybean and wheat short positions.

Another round of crop estimates out of a Brazil analytical firm had soybean production at 95 mmt's down from their previous estimate of 95.9 and that is a couple million above some of the other estimates we've seen recently. Corn production was pegged at 74.7 mmt's down from 75.5 previously. They also estimated harvest at 5% which is right at the 5 year average at this point on the calendar.

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Pete Loewen

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Pete Loewen / Matt Hines / Doug Biswell / LaVell Winsor

www.loewenassociates.com

peteloewen@cox.net

866 341 6700

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