Loewen and Associates

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Morning Ag Markets

Matt Hines

Livestock futures flipped about face with fats and feeders higher while hogs were under pressure all day. Even if a rally can be sustained for the week, cash feedlot trade looks to be steady at best. The only sale to report is 80 head out of Colorado at $155 live which is $4 lower than a week ago for that state. The limit move higher in fats still has cash trade last week at $7 to $8 premium to the spot futures. Cash hogs were steady to lower yet again as plenty of hogs are around and it appears more and more that USDA may have under-estimated hog numbers for the late winter. After the pits closed, feeders raced up to touch their limit $4.50 higher as well.

Cattle slaughter from Tuesday estimated at 111,000 head, down 1,000 from a week ago and down 4,000 from a year ago.

Boxed beef cutout values sharply lower on light demand and moderate offerings.
Choice Cutout__247.70 -3.71
Select Cutout__240.26 -4.53
Feeder Index:__215.36 -2.25

Hog slaughter from Tuesday estimated at 417,000 head with at least 1 plant back east closed, down 17,000 from a week ago but up 9,000 from a year ago.

Lean Index.__72.51 -.40
Pork carcass cutout__81.61 -2.86
IA-S.MN direct avg__67.76 -.68
National avg__66.93 -.08

Live cattle have come down some $25 now from their tops and hit some critical support in the $145 area. It seems so far they are ready to carve out a bottom here but if that can't hold the $135 area is the next line of support. Feeders are similar but the January contract is still carrying a hefty premium to the March and discount to the cash index. March futures have support at the spike low from Monday at $195 with resistance at $205.

Live cattle futures will have an expanded daily price limit today of $4.50.
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Over in the grain pits, red was the color throughout the entire complex on fairly quiet trade and small ranges. New contract lows in the KC wheat pit yesterday, soybeans gave back all of Monday's meal led gains pressured by good South American weather. Actually the only supportive news for both soybeans and wheat is how oversold they both are currently, but still unable to get a bounce higher. Yesterday morning USDA did announce a new sale of 4.1 MBU soybeans for this crop year…but also a cancellation by China totaling 4.4 MBU. Corn had another slow day trading up a couple cents overnight and then methodically giving it all back during the day session to finish down a couple cents.

Overnight volume overall was low along with tight trading ranges and pressure continues on the grains from fears of losing additional export business. Corn finished down 2, soybeans down 3 to 4 and wheat down 2 to 5.

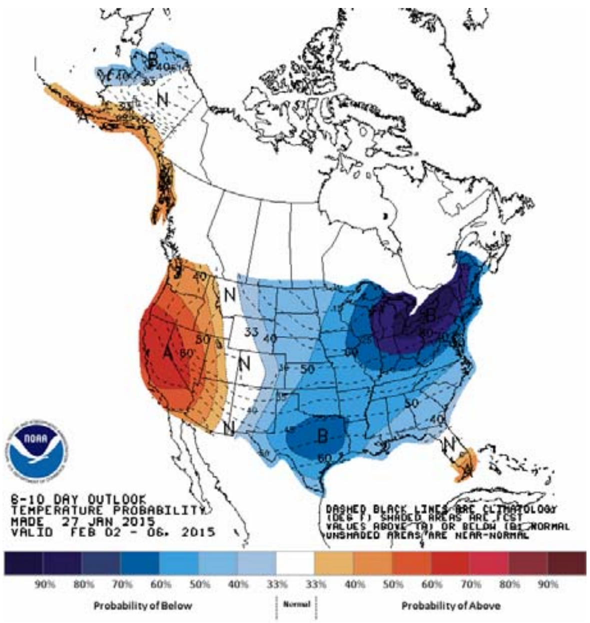
Out of the three commodities, wheat has been hit the hardest by the US dollar rally. Russia and Ukraine have both backed off exporting wheat to keep domestic supplies in check this year. With this, Canada and the EU have been the primary benefactors. The US dollar has gained close to 10% versus those two currencies since Mid-Dec which not only hurts exports but encourages wheat imports from Canada. Now wheat has fallen and basis has weakened since but is it too late to catch some of this business? Egypt should be in here soon for some additional bushels so we will get a better gauge just how competitive our prices are in the world marketplace.

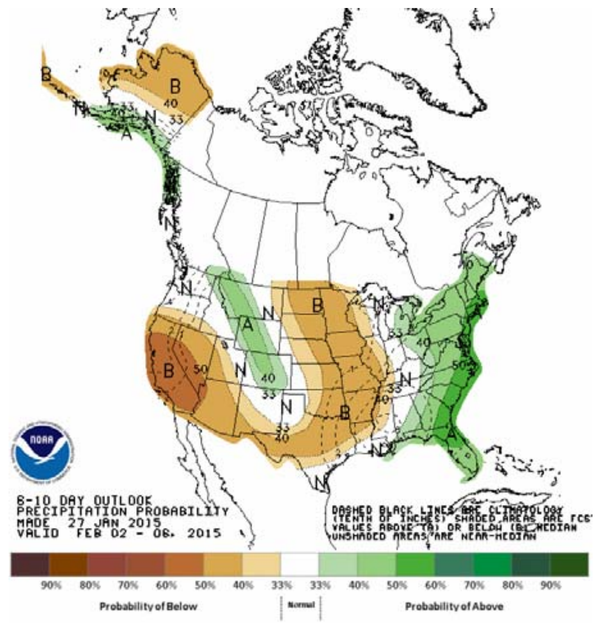
China reported corn imports for December up sharply to just shy of 24 MBU. Over 60% of that total came from Ukraine and offers are still cheaper now through April from there compared to the US offers.

No soybean cancellations reported overnight or this morning but countries in SE Asia are lining up for soybeans and meal from South America. The first vessel has loaded and currently 30+ are waiting for soybeans while and additional 60+

are waiting for corn. The EU still is show some interest for US soy products but it seems everyone else has shifted south.

March soybeans are still trending lower with support down at $9.50 and the contract low in the $9.25 area. Resistance is in the $9.83 ½ to $9.85 range. March corn made a small recovery last week and moving sideways now with support still at the November lows and 100 day moving average in the $3.75 to $3.77 range. Breaking those could lead to $3.60 mark. March KC wheat continues to push lower for new contract lows with targets in the $5.30 to $5.20 range. March Chicago wheat breached the $5.20 support yesterday and continues lower today. Support is seen at the $5.00 mark and then the contract low around $4.80. Resistance now lowered to the $5.25 to $5.29 ½ range.





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