



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

Feeder cattle futures were under pressure again yesterday but did come back from down \$4+. Live cattle futures were lower early as well but climbed back into positive territory by midday helping prop up the feeders off their lows. The CME feeder index is still higher at \$212+ and cash feedlot trade at a \$5 to \$6 premium to futures as well. A few heavy cattle, weighing in at 1,400 pounds, traded yesterday at \$159 live, steady with the lower end of last week's trade. There have been a few bids in Texas at \$158 live which is a couple dollars below last week with slow demand, discounted futures and packers claiming operating margins in the red as reasons they will try to buy cattle cheaper.

Cattle slaughter from Tuesday estimated at 112,000 head, up 1,000 from a week ago but down 4,000 from a year ago.

Boxed beef cutout values steady on light to moderate demand and offerings.

Choice Cutout__243.11 +.50

Select Cutout__235.14 -.46

Feeder Index:__212.87 +1.33

Hog slaughter from Tuesday estimated at 433,000 head, up 16,000 from a week ago and up 8,000 from a year ago.

Lean Index.__69.82 -.53

Pork carcass cutout__76.25 -2.23

IA-S.MN direct avg__64.87 -.67

National Average__64.46 -.72

The grains shot higher yesterday due to oversold conditions and outside markets. The US \$ dropped a full point while crude was up \$2+ getting back above \$50/bbl. Fundamentally, news was bearish starting with continued good US

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wheat conditions reported by each state late Monday afternoon. Staying with wheat, Egypt purchased 300,000 MT or over 11 MBU from France and Romania announced yesterday morning. There again we no offers from the US but with offers coming down some \$25/MT or \$.68/BU compared to a couple weeks that still puts us some \$.30/BU out. Informa raised its estimates for South American corn and soybean production yesterday. Brazil corn production at 72.8 MMT vs 72.25 MMT last month. The Argentine corn crop up 1 MMT to 23.0. Informa did leave Brazilian soybean production unchanged at 93.5 MMT while the Argentine soybean crop was raised 1.5 MMT to 57.0 MMT

Overnight corn and soybeans pulled back a few with corn finishing down 2 to 3 and soybeans down 4 to 5. Wheat though is trying to keep the rally going finishing 1 to 3 higher in all three pits.

Stats Canada out this morning with the following Grain stocks as of 12/31/14
All Wheat Stocks: 24.818 MMT; expected 25.0 MMT; year ago 28.68 MMT
Durum Wheat Stocks: 4.059 MMT; expected 4.1 MMT; year ago 5.24 MMT
Canola Stocks: 11.103 MMT; expected 10.7 MMT; year ago 12.4 MMT
Barley Stocks: 5.382 MMT; expected 5.0 MMT; year ago 6.75 MMT
Oat Stocks: 2.485 MMT; expected 2.5 MMT; year ago 2.848 MMT

Looking at the charts, the first level of resistance for March Chicago wheat should show at 5.30 to 5.40 but the first FIB retracement is all the way up at 5.62. First level of resistance in March KC wheat should show at 5.70 to 5.80 but first major retracement is at 5.99. March corn rally carried just past the 3.88 highs from Monday with \$3.92 ½ and \$4.06 the next levels of resistance. Nearby support is at \$3.79 where the 10 day and 100 day moving averages have converged, below that is \$3.65. The bean market finally got a rally big enough to sell into. The rally stopped short at the magic 10.00 level for the March contract and set back a little. Levels of support are at \$9.73 and the recent low of \$9.55. Meal has the same overhead at \$340 to \$342. Cash has found some support with the cold weather this week pushing demand a step higher but this should be short lived as South American product starts to make itself available in coming weeks.

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