



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Date: 03.26.2015

It was a technical correction day for the live and feeder cattle markets as most contracts settled \$1.00+ lower in feeders, except for the spot March that expires today that managed to squeak out a higher close. Live contracts were only down mild to moderately. With cash and the futures chart technical trend very positive, I'm not going to attribute the lower move to anything BUT a correction just yet, but there's no doubt the rally up has been fast and furious and was approaching extremely overbought levels anyway.

Hog futures were higher on the front two months and lower on the rest. With a quarterly hog and pig report coming on Friday, the odds of some short covering ahead of that data are increasing because everybody and their dog seems to be short that market. The expectations for the report are extremely bearish with all hogs having an average trade guess of 106.8%, breeding herd numbers at 103.6% of a year ago and market hogs at 107.2%.

Adding to the misery of the hog market is broiler placements and egg sets that continue to come in very close to records. That bearish influence of the competing meats of poultry and pork have been ignored lately by cattle, but in my opinion, beef is quickly becoming a luxury only item aside from hamburger beef. Once that happens as well, that's NOT a good thing for the cattle industry as a whole. Ask any beef packer or commercial cattle feedlot that is suffering from gross overcapacity and there is a lot less optimism regarding the industry as a whole as we know it today.

Cattle slg.____99,000 -8k wa -21k ya
Choice Cutout__250.51 +3.68
Select Cutout__247.14 +2.36
Feeder Index:___216.90 +.67
Lean Index.___61.31 -.50
Pork cutout___66.82 -.99
IA-S.MN direct avg__56.21 -.37
Hog slg.____435,000 -1k wa +25k ya

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Grain market action yesterday was just marking time before next Tuesday's big quarterly stocks and prospective planting numbers reports. Wednesday's trade was quiet and uneventful, which was very counter to what I have been expecting going into these highly anticipated numbers. There is a lot of nervous anticipation surrounding those numbers still, so it still wouldn't surprise me to see a little more volatility in coming days heading into those reports.

There were quite a few world crop production estimates that hit the newswire last night. Russian grain firm SovEcon pegged 2015 production at 93 mmt's on all grains, up from 84 mmt's previously. This is still lower than the 2014 number, which was 105. Argentine analysts are raising soybean crop prospects there as well with some guesses coming in as high as 58-60 mmt's. Brazil's AgroConsult also pegged Brazil beans at 95.8 mmt's versus their previous 94.7 number. That's a lot of bearish numbers to digest this morning as NONE of them are friendly in any way.

With those world production numbers bearish, there was a little bull side news to add this morning to tame those numbers. US weekly soybean export sales were pegged at 18.6 mln bushels which is a HUGE number for this time of year. There were 8.1 mln new crop sales to add to that total as well. Corn sales were neutral to in my opinion a little bearish at 17.1 mln old and 1.1 mln new crop. Milo sales were weak in old crop at 2.3 mln, but 9 mln new crop sales were bullish on that end. Wheat sales were 3.8 mln old and 2.9 mln new crop which is PITIFUL.

6-10 day weather maps went to normal to above normal temps and normal to above precip. Unfortunately, the above normal precip is in the wrong spots because it is centered on the Corn Belt. HRW wheat country showed below normal precip chances which I view as bullish wheat strictly from a weather standpoint. Export demand is terrible, but production potential is slipping in northern HRW areas to balance that news out somewhat...

Overnight export news had 280,000 tonnes of new crop bean sales to unknown destination. I don't see that as a market mover.

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