



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

What a week in the cattle markets...we start with expanded limits for live cattle because of limit lower trade the Friday before and end with expanded limits because of limit higher trade from this past Thursday. Both live cattle and feeder contracts dipped down into support levels, were then to a point of oversold and came racing back to fill some gaps left behind. Sharply higher futures at the end of the week helped firm up the cash feeder cattle trade but wasn't quite enough to get cash feedlot trade higher. In the Southern Plains live sales were at \$158 to \$160 which is \$2 to \$5 lower in the Texas Panhandle and \$2 to \$4 lower in Kansas, but steady in Colorado compared to the week previous. In Nebraska and Iowa, live sales ranged from \$159 to \$160 with dressed sales from \$253 to \$260 and on average steady to \$3 lower.

For the week, Friday to Friday, April Live Cattle up \$3.37, June up \$2.20, April Feeder Cattle up \$1.85, May up \$5.55, August up \$5.47, May Lean Hogs up \$1.42, June up \$3.17

After the close, USDA released April 1st Cattle On Feed with 100% as of year ago compared to last month's 99% and the pre report estimate down at 98.6%. Placements during March also at 100% compared to last month's 92% and estimates down at 94.5% Placement Weights as a % of year ago numbers were as follows:

Under 600 lb at 85.8%

600-699 lb at 94.8%

700-799 lb at 96.4%

Over 800 lb at a staggering 116%

This is a bearish outcome from a report that was thought to be a sure thing for the bulls to keep the rally going. Heavy weight placements towering above year ago levels (assuming those were wheat and rye cattle) pulled placements up well over expectations and brought COF totals to unchanged from year ago levels.

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The states of Washington and of Idaho Cattle on Feed Inventories showed the greatest year over year increases, expanding +13% and +12% respectively. These Pacific Northwestern states apparently have sizable quantities of potato and vegetable byproducts available to feed to cattle to stimulate their aggressive increase in cattle on feed inventories. Granted, year ago levels were bullish and these numbers in the big picture are bullish as well..., just not compared to the expectations. Marketings during March were right in line at 98%.

Cattle slaughter from Friday estimated at 105,000 head up 5,000 from a week ago but down 13,000 from a year ago. For the week, 544,000 head, up 11,000 from a week ago but down 46,000 from a year ago. The year to date difference remained unchanged at 7.5% less.

Boxed beef cutout values sharply lower on light demand and moderate offerings.
Choice Cutout__256.99 -3.02
Select Cutout__247.62 -3.42
Feeder Index:__212.97 -2.60

Hog slaughter from Friday estimated at 417,000 head, down 2,000 from a week ago and up 6,000 from a year ago. For the week, 2,184,000 head, down 59,000 from a week ago but up 193,000 compared to a year ago. The year to date difference is now up to 5.5% more.

Lean Index.__65.39 +.21
Pork carcass cutout__69.94 +.27
IA-S.MN direct avg__64.75 +.87
National Average__63.96 +.96

Cattle futures are called lower to start the week while hog futures are called mixed with early cash calls steady for both. Providing we can see the futures market hold on to the gains from the end of week, we can probably see a higher tone to the cash feeder market early this week. The cold storage report Wednesday continued to show us that the meat market as a whole is front-end loaded with product and this will remain a headwind for the beef trade. We can and will see spurts of demand throughout the spring grilling season, once it gets here, but given the already high price of beef vs. competing proteins the spurts are likely to be short in nature.

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Over in the grains, we finished off the week in the red with good spring weather, corn planting pace right on track and avian flu pressuring both corn and soybean. Headlines of cold temperatures were trying to cause some concerns this week but overall was tossed aside with decent moisture in the Plains and dry weather coming next week to moving planting ahead even faster.

On the bird flu front, MN joined WI in declaring a state of emergency over the epidemic. They are administering anti-viral drugs to humans who have come in contact with the disease although this strain has not yet shown the ability to jump from birds to humans. The National Guard has also been called up to help with cleanup duties.

International Grains Council estimated new crop world wheat production off 4 MMT to 705 MMT. This compares to 721 MMT last year and USDA at 726 MMT. There is concern that India's wheat crop may have dropped 8 MMT to around 88 MMT after recent heavy rain and hail. The new crop corn production estimate is up 10 MMT though to 951 MMT but still well under the record 994 MMT a year ago.

For the week, Friday to Friday, May Corn down \$.15 ¼, December down \$.15, May Soybeans up \$.01, November down \$.00 ¼, May KC Wheat down \$.07, July down \$.07 ¼, May Chicago Wheat down \$.08 ½, July down \$.00 ¾, May Soybean Meal down \$0.4, December down \$1.2/Ton.

Overnight grains were mixed with corn down 2, soybeans steady and wheat steady 1 higher in KC while Chicago futures were 1 lower.

USDA announced a private sale of 158,000 MT 5.8 MBU of old crop soybeans for unknown destinations.

The CME has changed some daily trading limits starting May 1. The changes are shown below. Note the increase in corn and wheat while soyoil, oats and rice are all reduced slightly

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Commodity	Current Initial Price Limit	New Initial Price Limit (Effective 5/1/2015)	New Expanded Price Limit (Effective 5/1/2015)
Corn	\$0.25/bushel	\$0.30/bushel	\$0.45/bushel
Soybeans	\$0.70/bushel	\$0.70/bushel	\$1.05/bushel
CBOT Wheat	\$0.35/bushel	\$0.40/bushel	\$0.60/bushel
KC Wheat	\$0.40/bushel	\$0.40/bushel	\$0.60/bushel
Soybean Oil	\$0.025/pound	\$0.02/pound	\$0.03/pound
Soybean Meal	\$25/ton	\$25/ton	\$40/ton
Oats	\$0.25/bushel	\$0.20/bushel	\$0.30/bushel
Rough Rice	\$0.90/cwt	\$0.75/cwt	\$1.15/cwt

Corn planting progress is moving quickly. It is estimated that we could be 23 to 25% done through this weekend to be reported later this afternoon and clearing weather for this week could move progress up 30 to 35% to 60% done by May 3rd. Wheat conditions are expected to improve in this afternoon's conditions report as well.

The 6 to 10 Day Maps continue to show above normal temperatures for the entire US and have now added some above normal precipitation for the central states.

Well corn futures broke the range bound trade last week with May hitting a new nearby low of \$3.63 ³/₄ and December at \$3.87 ¹/₂. The downtrending channel is still holding though and pointing to \$3.60 & \$3.84 respectively before we find some support. May soybeans have support at \$9.65 with resistance at the 10-day and 20-day moving averages right at \$9.70 and additional resistance at \$9.84. The May KC contract has chart resistance at the 10-day moving average at \$5.11, and support at the \$5.00 area. May Chicago looking to test its contract low at \$4.78 ¹/₄.

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