



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

Live cattle futures turned back around yesterday and got back most all of their losses from Monday, all feeder contracts expect for the nearby May contract added to Monday's losses and hogs continued their nice steady climb higher. Beef prices were higher at midday helping support the higher futures but by the close Select cutouts couldn't hold early gains.

Cattle slaughter from Tuesday estimated at 114,000 head which is the same as last Tuesday but down 6,000 from a year ago. The week to date also unchanged from last week at 227,000 head as chainspeeds do not look to be cut back heading into grilling season.

Boxed beef cutout higher on Choice and weak on Select on light to moderate demand and offerings.

Choice Cutout__260.96 +1.39

Select Cutout__247.75 -.35

Feeder Index:__219.26 unchanged

Hog slaughter from Tuesday estimated at 423,000 head, up 4,000 from a week ago and up 8,000 from a year ago.

Lean Index.__79.09 +1.11

Pork carcass cutout__83.67 +2.67

IA-S.MN direct avg__80.75 +.69

National Average__78.98 +1.17

The latest on the bird flu epidemic has the number of culled birds now over 32 million as of this morning. Late yesterday afternoon Nebraska became the 16th state so far with confirmation that 1.7 million chickens at an egg laying farm are infected with the H5N2 strain.

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June live cattle have added \$6 since mid-April and now up \$12 from the lows back in February. The \$152 to \$154 area has some hefty resistance and we should see some decent support \$150.50, the 10 day moving average. Feeders are up \$10+ since mid-April and \$20+ since the lows in February with resistance in the \$220 area and support around \$210. The hogs still impressive and holding the uptrend since late March adding \$16 and within a \$1 of completing a full retracement from the \$82 high back in late February, although there may be some large sell orders at that level. First line of support now at the 10 day moving average of \$79 and next at the \$77 level with the 100 day moving average.

It was report day for the grains with old crop revisions and new crop supply and demand estimates yesterday. Soybeans were hit the hardest with a US new crop ending stocks at 500 MBU, even though old crop stocks were reduced 20 MBU to 350 MBU. US corn and wheat stocks were not out of line but world stocks increased for both and projected well above expectations for the 2015/2016 crop year. Interesting to note that USDA left Brazil's soybean crop production unchanged but increased Argentina's by 1.5 MMT, Argentina's corn crop by .5 MMT and Brazil's corn crop by 3 MMT.

Overall, there were not many surprises with the 2014/2015 US balance sheet. US corn ending stocks up 24 MBU from a reduction of 49 MBU to food/seed/industrial (not ethanol) and an increase of 25 MBU to exports. US Wheat ending stocks up 25 MBU with imports up 5 MBU and exports down 20 MBU.

This report was the first official estimate by USDA for the 2015/2016 crop year. US corn ending stocks at 1.746 BBU was right in line with expectations. The yield at 166.8 BPA is the trend line yield assuming normal mid-May planting progress and summer weather and does not adjust for this year's rapid planting pace. The 2015/2016 wheat production estimates and ending stocks were above the average but also in line with expectations. The 2015/2016 soybean ending stocks at 500 MBU is not above the very wide pre report range but is a huge number for the market to digest and drove prices lower yesterday.

Winter wheat production is forecast at 1.47 billion bushels, up 7 percent from 2014. As of May 1, the United States yield is forecast at 43.5 bushels per acre, up 0.9 bushel from last year. Expected grain area is forecast at 33.8 million

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acres, up nearly 5 percent from last year. Hard Red Winter (HRW) harvested acreage is up about 10 percent from the previous year. Soft Red Winter (SRW) harvested acreage is expected to be down 8 percent from the last year. Hard Red Winter production, at 853 million bushels, is up 16 percent from a year ago. Soft Red Winter, at 416 million bushels, is down 9 percent from 2014. White Winter, at 203 million bushels, is up 10 percent from last year. Of the White Winter production, 11.5 million bushels are Hard White and 191 million bushels are Soft White.

Overnight soybeans bounced back some finishing 4 to 5 higher, wheat was 2 higher for the KC HRW contracts and 4 higher for the Chicago SRW contracts. Corn though remains lethargic though with an overnight range of 2 to 3 cents and finishing +/-1 of unchanged.

News was very light overnight with a few tenders floating around, but not much activity and strikes on again/off again in South America. The central US will get wet again here as we move towards the weekend. The 6-10 maps show below normal temps coming in from the west and above normal precipitation mostly west and south.

Not much has changed technically for corn, futures continue to trade steady to lower in this downtrending channel eyeing the contract lows at \$3.46 ³/₄ for July and \$3.64 ¹/₄ for the December contract. Wheat futures are trying to carve out a bottom here both in KC and Chicago with prices now \$.20 to \$.25 off the lows. Soybeans and meal took a big hit though yesterday. July soybeans are now only \$.10 away from the \$9.50 low in April and \$.20 away from the contract lows this past fall. July soybean meal scored a new recent low yesterday, with support on the \$300 level and contract low at \$294.4.

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