Loewen and Associates
Commodity Consulting/Brokerage
Pete Loewen, Matt Hines, Doug Biswell,
LaVell Winsor, Matt Burgener
866 341 6700
www.loewenassociates.com

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Morning Ag Markets
Matt Hines

Livestock futures finished mixed yesterday with hogs lower and cattle higher after being under pressure most of the morning. The afternoon boxed beef release helped to turn cattle futures around with a new record high for Choice cutouts at $265.59. Not much has changed long term and the next couple weeks most expect futures to be steady to lower with strong chart and seasonal resistance.

Yesterday, it was announced that China has ended an embargo on Brazilian beef imports, lifting a three-year old ban and opening the door to half a billion dollars of new sales. Eight Brazilian beef processing plants and one poultry plant were approved to ship to China, with seventeen more processing plants expected to get approval in June.

Cattle slaughter from Tuesday estimated at 114,000 head matching last Tuesday but down 5,000 from a year ago.

Boxed beef cutout values firm to higher on good demand and offerings.
Choice Cutout__265.59 +2.67
Select Cutout__251.03 +.61
Feeder Index:__219.83 +.28

Hog slaughter from Tuesday estimated at 426,000 head, up 3,000 from a week ago and up 16,000 from a year ago.

Lean Index.__82.57 +.51
Pork carcass cutout__86.55 +2.16

IA-S.MN direct avg__80.72 -.61
National Average__79.88 +.08

Cash calls have moved to steady for the week for cattle now as bids started to surface yesterday at $157 live and $252 to $254 on a dressed basis in Iowa. June live cattle trading both sides of the 10 day moving average this week with last week's high at $154.97 and additional resistance is up in the $158 area. May Feeders expire tomorrow leaving August as the next front month currently $2 discount to the cash index. The $220 area will continue to provide strong resistance. June hogs broke below the 10 day moving average for the first time in a month with support now in the $81 area matching the 100 day moving average. This week's trade is important technically to see if this is just a pullback that will restart the longer term rally or an actual break lower that retraces back into the $70's.
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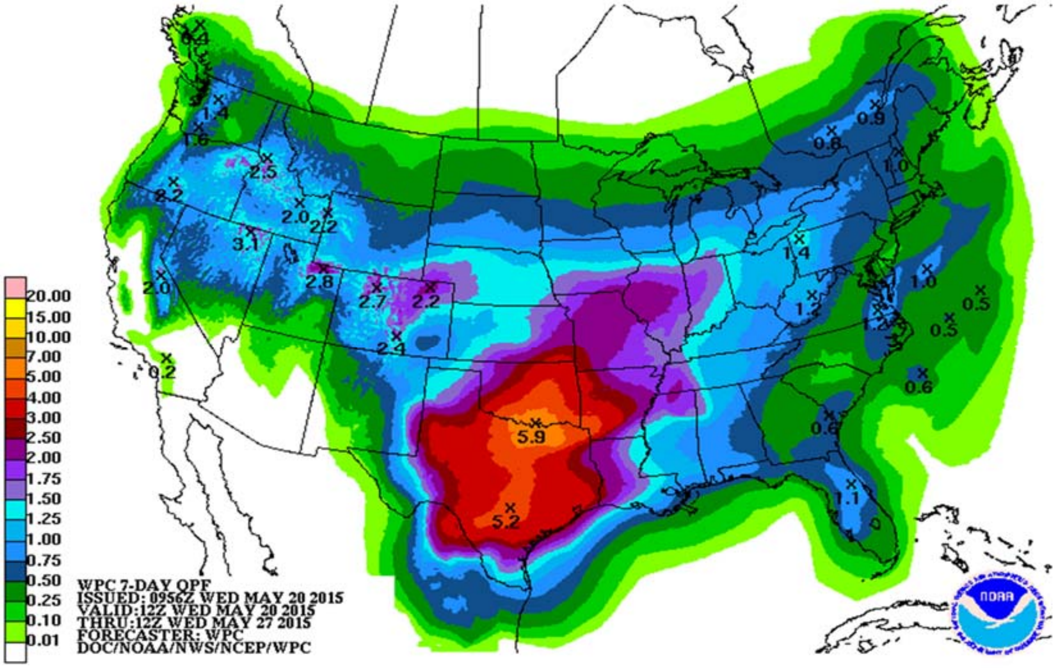
It was turnaround Tuesday in the grains with wheat the leader yet again but giving all of yesterday's gains back. Temps up north overnight did not end up as cold as forecasted and with funds already liquidated a good portion the past few sessions the market was primed for a down day. There are some additional weather concerns in Russia, Ukraine, India and Australia that bare watching though the next few weeks. Corn and soybeans started as followers yesterday but a new contract low in November soybean contract kept the selling pressure on.

Export inspections were delayed a day this week and even with the all three coming in at or above expectations it wasn't enough to pull grains higher. Corn shipments for the week ending May 14th totaled 43.6 MBU with the majority going to Colombia at 8.9 MBU, Mexico at 10.5 MBU and Japan at 11 MBU. Soybean shipments totaled 12.5 MBU, wheat 11.4 MBU and China to receive another 5.5 MBU of grain sorghum.

Overnight grains continued lower led by the soybeans finishing down 5 to 6 with most of the forecasted rain centered on the Sothern Plains allowing planters to roll again in the Corn Belt here very soon. Corn finished 1 to 2 lower and wheat 3 to 4 lower.

The US$ is on the rise again but with futures lower export interest is up again. Taiwan purchased 3.7 MBU of US milling wheat and Japan is tendering for 2 MBU US with an additional 1 MBU from Australia and Canada. South Korea purchased 2.1 MBU of corn to arrive in October that based on the price paid appears to be coming from here as well. Soybeans though are still cheaper in South America by approximately $10/MT coming out of Brazil and up to $23/MT out of Argentina so long as they can ship them.

Over the next 5 to 7 days, forecasts are still adding another 5+ inches of moisture centered on the Southern Plains. The 6-10 maps continue with normal to below normal temps and above normal precipitation.



Corn futures carved out a bottom in the $3.60 area on the July contract, which is being tested here again today and hit some strong resistance at $3.70 the past few days. The December contract has a little wider range with the recent lows around $3.72 and resistance at $3.89. July soybeans are sitting right at contract lows and overnight November reached down for new contract lows at $915 ¼. Looking at a monthly chart, $9.04 was the low last fall and $9.00 back in early 2010. The collapse in wheat prices below support levels now has the 10 day moving average next in line at $4.96 for the July Chicago contract and $5.25 for July KC.

Loewen and Associates, Inc.

Pete Loewen / Matt Hines / Doug Biswell / LaVell Winsor / Matt Burgener

www.loewenassociates.com

peteloewen@cox.net

matthines1@cox.net

866-341-6700