



## **Loewen and Associates**

***Commodity Consulting/Brokerage***

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### **Morning Ag Markets**

#### **Matt Hines**

Tuesday was a massive sellers day both for livestock and grain. Cattle futures continued from their limit losses on Monday with another triple digit day lower. Technical selling and long liquidation seem to be the main drivers right now. Live cattle and feeders did touch the expanded limits lower at one point yesterday but crawled back off those daily and contract lows into the settlement. With the massive volatility, back and forth limit moves recently, it would not surprise me to see cattle futures jump back higher today.

Cattle slaughter from Tuesday estimated at 112,000 head, up 1,000 from a week ago and up 6,000 compared to a year ago.

Boxed beef cutout values steady on moderate demand and offerings.

Choice Cutout\_\_216.57 +.12

Select Cutout\_\_206.94 +.25

Feeder Index:\_\_184.88 -2.59

Hog slaughter from Tuesday estimated at 437,000 head, up 2,000 from a week ago and up 51,000 compared to a year ago.

Lean Index.\_\_61.17 -1.38

Pork carcass cutout\_\_75.51 -.91

IA-S.MN direct avg\_\_51.99 -.23

National Average\_\_51.21 -.89

December live cattle broke through the October and contract low at \$128.10 yesterday establishing a new contract low down at \$127.42. In October the spot contract reached as low as \$120.02. November feeders did not break into new contract lows and as slowed the decent some with the cash market showing still a \$13 premium. January feeders did break the support and contract lows

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yesterday though with \$160 the level to hold now. December lean hogs continue the grind lower, now down over \$15 from the October highs. Holding the \$50 level will be a key target now.

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Over in the grains, it was report day and it was a doozy. USDA came out with upper end or above trade estimates for quite a few key numbers. Corn and soybean yields both raised just shy of 1 BPA which in itself was a push for USDA to jump so high in a November report. Corn and wheat exports both decreased adding to ending stocks while soybean exports were increased offsetting some of the production increase. World corn stocks shot over 24 MMT higher mostly from a multi-year revision to China's balance sheet.

Corn yields were reduced in the east and increased in the west as expected. Gains were more than anticipated which led to a bearish reaction. Minnesota was increased 3 to a 187 BPA state record. Iowa was increased 6 to a 189 BPA state record. Neb was increased 3 to a 187 BPA state record. Corn used for ethanol was also cut by 75 MBU along with the export estimate cut 50 MBU and feed raised 25 MBU. Ending stocks now estimated at 1.76 BBU up 139 MBU from last month. Grain sorghum production increased by 20 MBU and ending stocks up 16 MBU while soybean production was raised 93 MBU but ending stocks only up 40 MBU to 465 MBU.

Overnight, grains inched back higher with corn finishing 1 to 2 higher, soybeans 3 to 4 higher and wheat 3 to 5 higher.

Egypt purchased 115,000 MT or 4.2 MBU of wheat announced yesterday. They purchased 1 cargo from Russia and 1 from Ukraine at an average price of \$210.41/MT delivered and still some \$.60/BU lower than US wheat based on current Gulf values with freight. French offers were \$2.50/MT higher yesterday but in today's rounds they are the cheapest offer as Egypt has retendered for the same shipment period.

Center/west Brazil dries out for the next week. . Heavy rains for W Argentina through S and E Brazil is forecasted for the next 10 days. Limited rains for SE Argentina and Center-West Brazil. The 8-14 day brings heavy rains again to S Brazil, spreads to Center-West Brazil and may even reach drought stricken NE Brazil. Best moisture of the last two months into Ukraine/S Russia next 10-14 days. Heavy rain and hail hit the Eastern Australian wheat crop. Damage

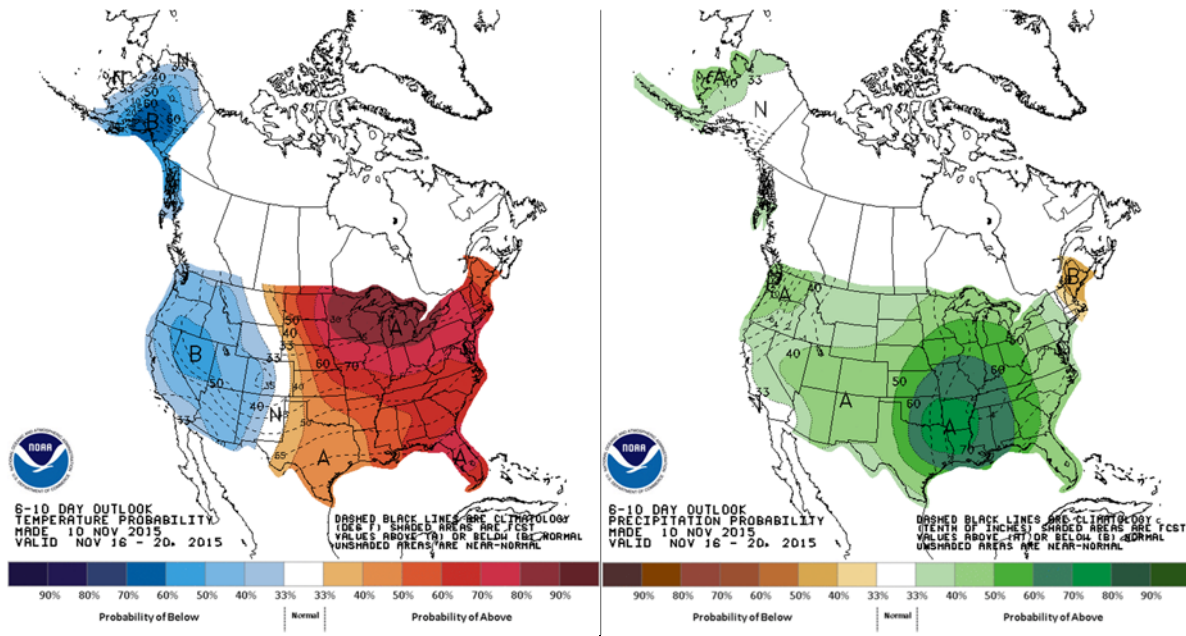
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estimates vary but that area could have lost a small total but downgraded the quality of a larger share of that crop.

All the front month grain contracts hit new lows yesterday except for Chicago wheat and closed just above them. December corn new contract is at \$3.56 with resistance overhead in the \$3.70 area. January soybeans now have a contract low at \$8.50 with resistance at \$8.72. December KC wheat reached down to \$4.55 <sup>1</sup>/<sub>4</sub> with resistance at \$4.75. December Chicago wheat actually still has an uptrend going back to contract low at \$4.64 <sup>3</sup>/<sub>4</sub> on September 4<sup>th</sup>. The first line of support is at \$4.84 with resistance at \$5.12.

Winter weather will be hitting the West and Plains here this week with rains forecasted over the next week in the Northern Corn Belt, Gulf States and PNW. The 6-10 day maps show below normal temps west and normal to above normal central and east with above normal precipitation for almost the entire country.



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