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## **Loewen and Associates**

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### **Morning Ag Markets**

#### **Matt Hines**

More erratic trade in the livestock sector with Monday's limit lower trade followed up yesterday by lower trade at the open and within minutes we shot prices triple digits higher. Futures continue to hold a premium to cash that is not justified, with too many still holding long positions waiting for the fed supply shortage to show up the beef business to explode. The large speculative action continues to be the driver behind the massive up and down swings. Nebraska traded some fed cattle at \$195 on a dressed basis already this week which is at the lower end of last week's range. One major packer had a plant breakdown shutting it down through Thursday of this week. Rumors are there is another major packer going dark one day this week. As a result, the kill could slip down to the 540,000 area this week if the plant breakdown isn't made up with Saturday kills elsewhere. The latest monthly trade stats report, showed beef production at 468.8 million lbs, that's up 2.5% from last year at this time. For the first time in 22 years it appears 4th quarter beef production will exceed third quarter production. We'll get a Cattle on Feed report after the close this Friday. The trade is expecting 103.0% on feed, Placed at 98.0% and Marketed at 96.0%.

Pork prices continue to be sharply lower and packers continue to oversupply the market. On the board, futures are now trading at 6 year lows. Pork production was 479.8 million lbs for the week ending October 31st, that's down from the previous week's 492.9 million lbs but up 1.7% from last year.

Cattle slaughter from Tuesday estimated at 107,000 head, down 5,000 from a week ago and down 6,000 compared to a year ago.

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

Choice Cutout\_\_208.37 -.67

Select Cutout\_\_197.93 +.94

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Feeder Index:\_\_\_176.44 -1.21

Hog slaughter from Tuesday estimated at 436,000 head, down 1,000 from a week ago but up 14,000 compared to a year ago.

Lean Index.\_\_\_56.49 -.49

Pork carcass cutout\_\_\_72.03 -2.66

IA-S.MN direct avg\_\_\_51.04 -.11

National Average\_\_\_50.26 -.08

December live cattle reached down for a new contract low yesterday at \$125.50 but a giant key reversal higher after and almost filled the gap left from Monday's limit lower trading. The 10-day moving average will be the first line of resistance at \$131.75. Last trading day for November feeders is tomorrow with a \$3 spread between it and cash index as of last night. January feeders also made the key reversal higher with yesterday's trade bouncing off a new contract low with the 10-day moving average at \$167. Lean hogs rebounded the most yesterday. The December contract reached down to touch the contract low set Monday, at one point \$3.60 higher and did move above the 10-day moving average. Last week's high at \$57.15 will be the first line of resistance.

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Over in the grains, straight out futures trading was limited but bull spreading was very heavy for corn and soybeans. They both were able to stay higher for the day even with the US\$ running into new recent highs. The soybean market closed higher for a second session to start the week as we try to build up some recovery momentum or at least establish some stability to correct the oversold conditions. Cash movement remains quiet as basis firms and spreads come in trying to bring cash grain out of the producer's hands.

Wheat futures were unable to gain ground and were under pressure throughout much of the day. Less than ten minutes into the day session March Chicago futures were able to take out the October lows, sparking another wave of selling. World trade is very active this week with South Korea buying 25,000 MT or 918,000 MBU of mixed Canadian wheat for Feb, than passing on their 1.3 MBU US wheat tender citing high prices. Japan's weekly tender is for 4.2 MBU of which 2.9 MBU is US and 1.3 MBU is Canadian, Taiwan is in for 3.4 MBU mixed US wheat for Dec-Jan, Algeria is in for 1.8 MBU wheat for Jan and Jordan is back in for 3.7 MBU of opt origin wheat in a tender that closes today.

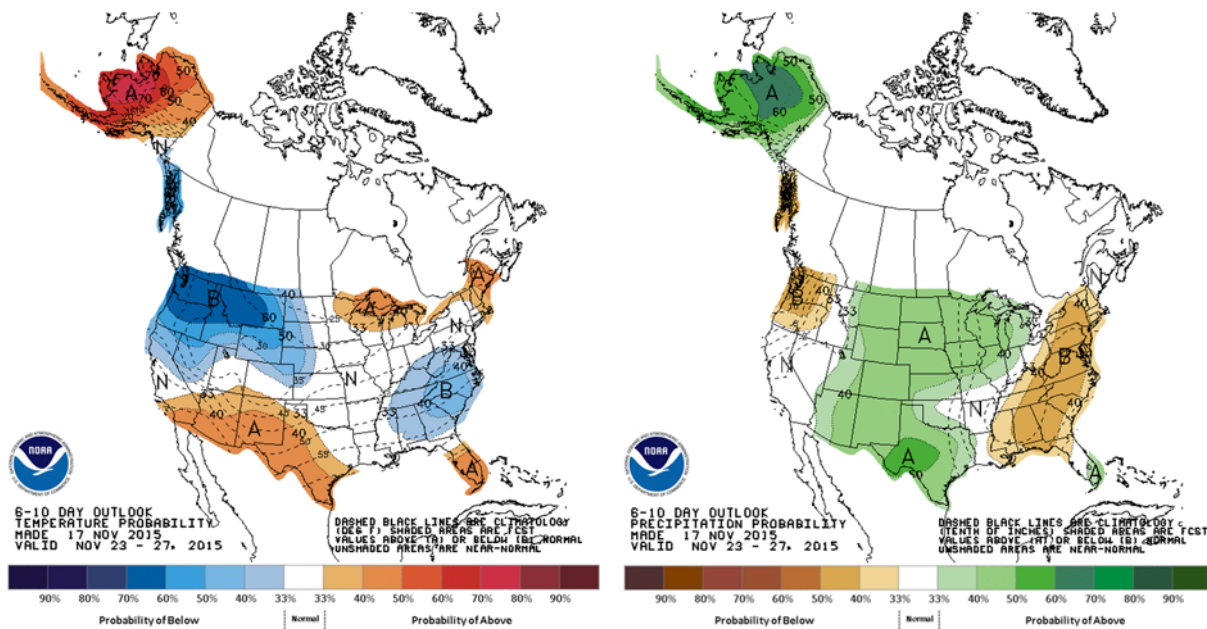
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Overnight, grains inched higher with corn finishing 1 to 2 higher, soybeans 2 to 3 higher and wheat 1 to 3 higher. Support still coming from short covering and there is very little new grain news this morning.

Technically wheat is back to bearish while corn and soybeans have grown some legs off the contract lows. December Chicago wheat broke the uptrend, KC is still near contract lows and MPLS reached down for a new contract low. December corn contract low is at \$3.56 and we have rallied back to the 10-day moving average. January soybeans contract low is at \$8.50 with yesterday's close right at the 10-day moving average and overnight reaching above it.

The line of storms is now moving through the Corn Belt after providing some much need moisture here locally and some nasty winter weather west. The Southeast is now forecast for 2-4 inches over the next few days. Temps are forecasted normal to below for all except the Southwest and Great Lakes over the next 6-10 day with above normal precipitation for all but the East Coast and PNW.



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