



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

Livestock futures finished mixed Friday but sharply lower overall for the week with Wednesday a limit down day for both live cattle and feeders. Cash feedlot trade continues to tail lower along with beef prices pressuring cattle while weak fundamentals have hammered the hogs lower over the past couple weeks.

Apparently some large commodity hedge fund is shutting down for whatever reason, likely lack of profitability, and is liquidating all long meat and grain holdings. Given the severe lack of "TRUE LIQUIDITY" in the cattle futures market as of recent, the market collapses under its own weight and we get crazy unprecedented moves like witnessed this week. Fundamentals are also providing pressure with ample supplies of meat on the domestic market and in storage with demand being a little sluggish. Also packers have ample supplies of cows to kill right now. The boxed beef market remains two-tiered coming into the end of the week. Better demand and higher pricing for middle meats is offsetting sluggish demand and lower pricing in end meats.

Cash feedlot trade for the week was reported in the North averaging \$130 live and \$204 to \$206 on a dressed basis, \$4 to \$7 lower compared to a week ago. Kansas and Texas averaged \$134 live which was \$4 lower than a week ago.

For the week, Friday to Friday, December Live Cattle down \$6.80, November Feeders down \$9.27, December Lean Hogs down \$4.20.

Cattle slaughter from Friday estimated at 96,000 head, down 4,000 from a week ago and down 13,000 from a year ago. For the week, 563,000 head, up 10,000 from a week ago but down 5,000 from a year ago. The year to date difference continues to decrease now at 5.7% less than a year ago.

Boxed beef cutout values lower to sharply lower on light to moderate demand and moderate to heavy offerings.

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Choice Cutout__215.66 -3.20
Select Cutout__207.25 -1.40
Feeder Index:__190.27 -1.53

Hog slaughter from Friday estimated at 432,000 head, up 41,000 from a week ago and up 21,000 from a year ago. For the week, 2,360,000 head, up 107,000 from a week ago and up 133,000 from a year ago. The year to date difference now at 7.9% more than a year ago.

Lean Index.__64.61 -1.81
Pork carcass cutout__75.28 -.50
IA-S.MN direct avg__53.48 -1.47
National Average__53.35 -1.26

December live cattle had a nice run higher in October but last week took out 2/3 of that rally. The gap was filled left back from early October so support will start at Friday's low of \$133.22 with the contract low at \$128.10. November feeders gapped lower Thursday to break out of the recent range bound trade and have now taken out about half of the October rally. \$180 will be the first line of support with the contract low at \$169.10. December lean hogs are still in a free fall down over \$13 from the highs in October. The next line of support is in the \$50 area from prices back in October 2009.

Grains finished the week mixed as well with soybeans sharply lower for week, corn lower and wheat steady to lower. Tuesday's USDA crop report is looming over the market with pre report yield and production estimates higher. Export demand has slipped already for soybeans and remains mediocre at best for corn and wheat.

For the week, Friday to Friday, December corn down \$.09 ¼, March down \$.09 ¾, January Soybeans down \$.18 ½, March down \$.19 ¼, December KC Wheat down \$.03 ½, NC July down \$.03 ¼, December Chicago Wheat up \$.01 ¼, July unchanged.

Overnight grains were mixed with soybeans 2 to 3 higher, corn 1 higher and wheat 2 to 5 lower.

We are looking for USDA to show Corn and Soybean harvest near complete with corn harvested at 92% to 95% complete and soybean harvest at 95% to

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97%. Wheat emergence should be catching up to average pace and conditions improved as well.

China's Administration of Customs reported October Soybean imports totaled 5.3 MMT vs. 7.2 MMT in September and compares to 4.1 MMT last October. Year to date Soybean imports stand at 65.1 MMT up 14.7% from the same period a year ago.

Average production estimates for tomorrow's USDA report...

Corn production 13.579 vs. 13.555 in Oct. Corn yield 168.4 vs. 168.0 in Oct
Soybean production 3.915 vs. 3.888 in Oct. Soybean yield 47.5 vs. 47.2 in Oct

December corn broke the bottom end of its range bound trade last week with support now at \$3.70 and the contract low at \$3.57 ½. January soybeans took a shot at the contract low last week which is holding so far at \$8.57. Wheat futures are still holding the uptrend but the December KC contract has yet to push through and stay above the \$5 barrier while the December Chicago contract is testing the resistance at \$5.30 and support at \$5.10.

Areas of North and Central West Brazil are experiencing a high pressure ridge and will be warm and dry but the 11 to 15 day forecast has rain chances increasing. Winter cold set into the western plains but it has been a clear weekend for most which was welcomed after the rains along the gulf coast states late last week. The remnants of the last storm lingers over the southeast. There is another storm that develops over the northern plains for the last half of this coming week forecasted to bring 2 inches of precipitation. The 6-10 day outlook shows above normal temps centered on the Northern Plains and below normal precip in the Southwest and Central Plains with above normal for the PNW and Delta.

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