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Commodity Consulting/Brokerage
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Date: December 24, 2015

Wishing you all a very Merry and Blessed Christmas from all of us at Loewen and Associates, Inc.

Another giant day for the cattle complex yesterday as the live and feeder cattle markets both had some contracts hit limit up at one point. Limits were back to normal levels which is $3 in live cattle and $4.50 in feeders. Only one contract closed at the limit and that was the spot December Live Cattle. Everything else was super strong, but not quite limit.

Aside from the packer on up the chain though the HRI level, this rally in cattle has been the best Christmas present ever. Spot fats have rallied $11.63 from low to high in just 4 trading days. Spot feeders have come up $19.95 in the same timeframe. Very seldom do markets bottom with a spike though, so I'm still hanging on to the philosophy that at some point down the road the cattle will be back down near those lows. I wasn't willing to bottom pick on the way down and it would be foolish to top pick on the way up. Speculators should stay very clearly away from the cattle complex and hedgers should continue with business as usual.

Negotiated cash feedlot trade so far has included some $122-$124 Texas trade, along with $122 Kansas trade on Tuesday and $200 dressed Nebraska trade that happened yesterday. $128+ futures trade yesterday leaves the door open for deliveries, even more so if futures are up heavy at some point today.

Cattle slg.___ 113,000 +1k wa +71k ya

Choice Cutout__194.90 +3.37

Select Cutout___187.50 +3.85

Feeder Index:___not available

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Lean Index.__ 54.25 -.16

Pork cutout___68.86 -2.54

IA-S.MN direct avg__49.20 +.57

Hog slg.___430,000 -10k wa   ++243k ya

Quarterly Hog and Pig numbers were released yesterday afternoon and it came with a mixed bag of news. In the big picture, most of the numbers came in very close to the pre-report expectations, although on a friendly note, there were more numbers slightly below those expectations than above. All hogs were 101% of a year ago compared to the average guess of 101.5%. Breeding herd numbers were right at the estimates at 101%. Market hog numbers were ½ point below the average guesses at 101%. Fall farrowings were 4% lower than last year, while the estimates were looking for 2% lower. However, the pigs/litter in those farrowings were up 3% from last year making the fall pig crop just 1% shy of 2014 this fall. 1st quarter 2nd intentions were down 2% from a year ago. Mar-May first intentions were unchanged from a year ago.

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Grain and oilseed trade fell under mild pressure yesterday, erasing more of the fund short covering potential I thought we would have through this two week holiday stretch.

Weekly export sales numbers that came out at 7:30 this morning had some news for the bulls and the bears. Wheat sales were dismal at only 13.6 mln bushels. Corn sales were neutral to bearish at 31.6 mln. Milo sales were bullish at 12.9 mln. Soybean sales were 76 mln, which is a bullish number. Looking at total commitments for the marketing year to date, the corn, soybean and wheat totals are all bearish. Wheat sales are 15% behind a year ago at the same time, while USDA has them projected for the year at only 6% down. Beans are 11% behind a year ago compared to the USDA projection of a 7% decline. Corn is down 25% from a year ago in cumulative sales and USDA has that projection at only 6% lower.

The crop that concerns me the most in the export front is wheat. Case in point, Egypt purchased 2 cargoes of wheat this week totaling 4.4 MBU at around $191/MT delivered and they did it from a surprise seller…, Argentina. This is the first wheat purchase by Egypt of Argentine wheat since 2012. Remember that export tariff cut and peso devaluation last week while producers were holding grain? Well, here it comes now! At the price they sold for, Argentine wheat would financially work delivered into the US Gulf. Not that it will happen, but that is proof once again that US wheat export values are not competitive in the world trade.

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In Southern Hemisphere crop talk, there is a lot of growing concern about Brazil's moisture situation and expanding dryness. I have emphasized for quite a while that crop failure in a major producing country, or massive fund short covering of futures would be needed to sustain any rallies in the grains or oilseeds. This Brazil story has some potential, although it is still early in their growing season, so it's a little premature to write their crop down too much. Earlier estimates of 100mmt's+ production have been trimmed by some analysts to levels just below 100 mln at this point. That's not bullish news……..yet.

Quick reminder that regular size grain and oilseed futures and options trade closes at 12:05 today and livestock close at 12:15. All markets are closed tomorrow and normal trade resumes Monday.

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