



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Date: December 7, 2015

It was a tough, tough week for the cattle complex that was clouded with extreme volatility and steep drops in the futures. For the week the choice cutouts were down \$1.80. Negotiated cash feedlot trade was down \$3.00 and calf and yearling feeder market trade was sharply lower as well with steer calves as much as \$10 lower, heifer calves \$15 lower at the worst and feeders as much as \$10 lower. The problem is, front month live cattle futures were down over \$7.50 and front month feeders were more than \$6.50 lower. So, the only cash market indicator that is coming even remotely close to keeping up with the futures market drop is calf and feeder prices.

To me we still have a very clear sign that futures are leading this market and pulling everything else lower. Ironically it isn't much different than on the way up though as there was a very clear disconnect between cash indicators and futures a year ago in the big rally as well. Price discovery didn't function on the way up and it isn't functioning on the way down either. The difference on the production and cattle feeding end though is that most players in the industry (except for the packer and other end users obviously) don't like prices going down, so they are making a lot more noise about the futures market not functioning from lack of price discovery on the way down. In reality, **both directions** have included firm evidence that we have a broken and manipulated market by the bot trade (i.e. HFT and algo computerized trade).

Cattle slg. ___ 109,000 fri, wtd 560,000 +101k wa -4k ya
Choice Cutout __202.60 -1.89
Select Cutout __191.49 -1.53
Feeder Index: __168.40 -2.38
Lean Index. __56.30 +.17
Pork cutout __73.73 -.35
IA-S.MN direct avg __52.44 -.70
Hog slg. ___433,000 fri wtd 2.424 mln +295k wa +188k ya

Weekly closes in the meats had December Live cattle down 7.55, February down 4.62, January feeders down 6.57, march down 6.37 and December lean hogs down 1.67.

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Opening calls in the meats are moderately lower in the cattle complex and mixed in hogs.

In the grains, Friday's futures closes were higher across the board and capped off a week of double digit gains in every market except the Chicago wheat. It wasn't hard to find smiling farmers enjoying the rally, but it was hard to find valid and solid fundamental reasoning behind most of the gains. Most of the rally can be attributed to short covering by large fund trade.

Big picture, long term fundamental analysis still shows very adequate to excessive world stocks levels in corn, beans and wheat. Domestically we're not short on anything at the moment either. Not that I'm complaining about a rally, because I'm not, but as a fundamental analyst, it's easier to watch a market trend when there are supporting fundamentals to back that trend. Right now there isn't, but I do like the opportunities these rallies present to move some old crop grain and possibly work on some new crop sales at some point as well.

Weekly closes in the grain and oilseed complex had December corn up 17 cents, March corn up 14 ¼, January soybeans up 33 cents, March up 32 ½, December Chicago wheat up 5 ½, December KC Wheat up 13 ½ and new crop July KC Wheat up 13 ¼.

In the 8:00am export reporting USDA announced a 115k tonne corn sale to Mexico. There were no new beans sales reported, but we got a lot of them last week, so the expectations in this coming Thursday's weekly export numbers should be big in beans.

6-10 day forecasts showed above normal temps central and east, normal from Colorado west. Precip was above normal over most of the country except for the Deep South that was normal.

This coming Friday is the December monthly S&D report. In the December report there are no changes to production figures. The next time we'll see those as potential is in the January final report numbers. Ending stocks guesses for Friday's report show corn at 1.768 bln versus 1.760 in November. Soybeans are pegged at 462 mln versus 465 last month. Wheat average ending stocks guesses are 918 mln versus 911 last month.

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