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Morning Ag Markets **Matt Hines**

Mixed day for livestock futures with back and forth trading but no limit touches at least yesterday. Early reports so far this week from sale barns are showing lower to sharply lower prices. Monday in OKC saw some of the sharpest drops on moderate demand. Feeder steers and heifers reported at \$8 to \$15 lower than the week previous while calves were \$10 to as much as \$20 lower. Choice cutouts falling below the \$200 level Monday is another not so good sign, followed up with yesterday's down another \$1.57 to \$197.21 now.

In cash fed cattle news yesterday the USDA reported 311 head of cattle selling in Kansas for \$117 live. They showed 1,859 head of cattle selling in Nebraska for \$1.84 dressed. And they reported 1,551 head of cattle selling in Iowa for \$115 to \$117 live and \$1.80 to \$1.85 dressed. The cattle that sold in Kansas and Iowa were a couple dollars lower and looked to be heavy weight cattle but the cattle that sold in Nebraska would be fully steady with the market in that state last week. Bids now seem to be hovering around \$118 live.

The past 5 years, the cash fed cattle market has rallied the last couple weeks of the year from \$3 to over \$9 higher. This year is a considerably different story with record large cold storage supplies of meat and record dressed cattle weights combined with lackluster beef demand as a whole. So in no way am I calling for higher cash feedlot trade but maybe at least we can get through some of these heavier weights and stabilize the market starting off in the new year.

Cattle slaughter from Tuesday estimated at 114,000 head, matching last Tuesday's total but down 1,000 compared to a year ago.

Boxed beef cutout values steady on Select and lower on Choice on light to moderate demand and moderate to heavy offerings.

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Choice Cutout__197.21 -1.57

Select Cutout__186.81 +.08

Feeder Index:__155.22 -1.28

Hog slaughter from Tuesday estimated at 438,000 head, matching last Tuesday's total as well and up 4,000 compared to a year ago.

Lean Index.__55.90 -.08

Pork carcass cutout__75.24 +.63

IA-S.MN direct avg__50.88 +.39

National Average__49.65 -.39

December live cattle remain range bound and have at least held last week's contract low so far at \$118.10 with resistance up at last week's high at \$122.87. January feeders were not able to do so though breaking down for a new contract low near the open yesterday at \$146.37. Remember though we have another \$10 lower before matching the 2013 low and the start of the almost year and half rally. February lean hogs are still holding the uptrend going back to mid-November. Support is seen at the \$58 level and resistance at last week's high of \$61.75.

Over in the grains, wheat was steady to higher and corn steady to lower yesterday as it appears the holiday trading may have already crept into those markets with volume diminishing.

NOPA domestic crush report for November was disappointing yesterday at 156.1 MBU vs. expectations at 161.6, last month at 158.9 and last year at 161.2 MBU. This offset the friendly news of China purchasing another 4.4 MBU of old crop soybeans. Today we get the Fed rate policy announcement along with Congress hopefully actually passing a spending bill instead of another continuing resolution.

Overnight, grains were mixed with narrow \$.02 to \$.05 ranges throughout. We traded both sides of unchanged and finished steady to a couple cents higher.

Ag market news is getting pretty thin with most keeping their eyes and ears fixed on South America, FED and Congress this rest of this week. The Argentine situation remains fluid as traders wait to see how much the Peso is devalued. Most agree it will be somewhere between 30-40%.

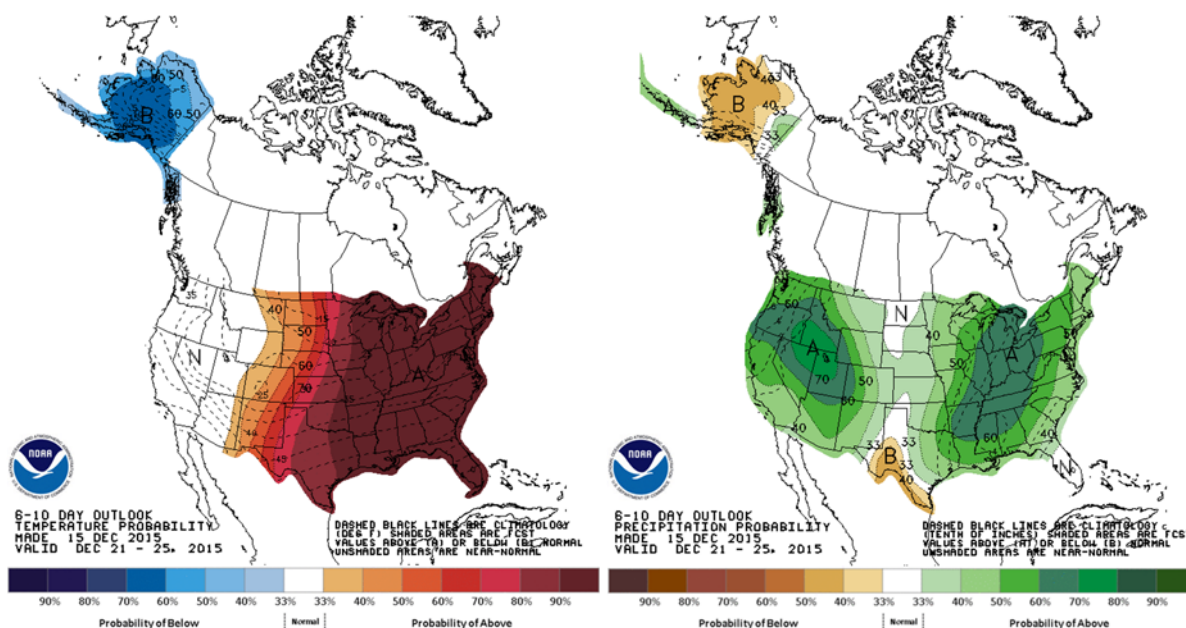
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We are also waiting on news of the biodiesel credits along with the spending bill. Most now leaning towards the chances of Congress passing a bill with the biodiesel being switched to the producer from the blender not very likely at this point. Most likely we are looking at just another 2 year extension of the blender credit.

Technically, corn and wheat futures continue to hold a recent uptrend while soybeans are now trending lower. January soybeans have retraced some \$.40 of the \$.65 ½ range from the contract low in late November at \$8.44 ¼ to last week's high of \$9.09 ¾. March corn is holding the month long uptrend with the 10-day moving average providing support along the way currently at \$3.76 ¾. We are only \$.13 or so off the contract low though and resistance will be at last week's high of \$3.82. Both Chicago and KC March wheat contracts are \$.30 off their lows but both are struggling to push through the \$5 barrier.

Unseasonably warm and wet weather continues with the 6-10 day maps continuing to show above normal temperatures and above normal precipitation.



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