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Date: 12.2.15

Morning Ag Markets

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It was another wild day in the livestock pits with futures triple digits lower and at noon flipping to triple digits higher and finishing strong. Lean hogs started the move higher finally breaking through the $59 resistance area that had been tested the last three sessions in a row. The February contract even touched limit higher trade for a bit yesterday. Live cattle are showing another key reversal higher now from yesterday's trade. The last one was on November 17th which helped spur this recent $5 rally. We shall see if this is the start to another. Feeders traded a $6+ range yet still have another $3 to get above last week's high.

Market news was light, beef and pork prices lower, so the bullish news a day late reaction to the wet and icing weather or more likely the rumors of higher cash feedlot trade. It has to be confirmed but the talk was a major packer buying a few thousand head in northern Iowa yesterday at $126 live which would be $3 higher than a week ago.

Cattle slaughter from Tuesday estimated at 108,000 head, down 2,000 from a week ago and down 4,000 compared to a year ago.

Boxed beef cutout values lower to sharply lower on light demand and offerings.
Choice Cutout__203.81 -1.84
Select Cutout__192.69 -2.17
Feeder Index:__174.05 +.25

Hog slaughter from Tuesday estimated at 438,000 head, matching last Tuesday's total and up 11,000 compared to a year ago.

Lean Index.__55.54 -.08
Pork carcass cutout__73.01 -.89

IA-S.MN direct avg__52.70 +.42
National Average__51.65 +.37

Thanks to the reversals yesterday and strong support in the hogs we should see continued follow through buying here today but with the high volatility it wouldn't surprise me to see a lower open from profit taking early in the day. December live cattle still have a little ways to go to top last week's high of $132.70 with additional resistance in the $134-$135 area and support at $130.60. January feeders have a first line of resistance at $167.35 with more in the $170 area. Holding above $164 remains the key for this week to try and extend the rally further. December lean hogs breaking the $59 resistance opens up a run to $62 but the volume is thin with contract expiration a little over a week away. The February contract took out and closed above the high from last month and looks to also push into the $60-$64 range.
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Over in the grains, soybeans led the way higher, pulling corn with it but wheat futures were hit hard again yesterday with ratings up another couple points Monday after the close. The corn and soybean markets continue to try to build a bottoming formation. Corn again traded above what was considered the upper end of the recent trading range before failing to extend. Soybeans have broken out of the old trading range and extended with meal and oil pushing into new highs as well. The large amount of deliveries in Chicago wheat has been the main driving force lately widening out spreads to full carry and even pushing Chicago prices discount to KC for a bit yesterday. KC should be premium to Chicago since we are talking about a higher protein HRW vs. SRW but the quality issues in SRW pushed it premium to KC for most of this fall.

Overnight, grains were mixed but finished lower with all down 1 to 2.

Stats Canada will release final production estimates this Friday with the average pre report estimates higher. All wheat at 26.7 MMT, canola 15.6 MMT, barley 7.6 MMT, corn at 12.4 MMT, and beans at 6.1 MMT.

Russian wheat crop estimates remain around 100 MMT. Ukraine conditions remain questionable with a lot of winter wheat that did not get planted and much of what was planted rated poor. Australia lowered their estimate of the wheat crop 1.3 MMT to 24 MMT.

With the export tariff dropping on Dec 10th, Argentine producers are planning to plant additional acres to corn with some estimates as high as 10% more than previously intended. Key growing areas in Argentina will plant corn until mid-January.

Rains/snows over the western Midwest left Iowa, South Dakota and Minnesota with up to 12 inches of snow over a good part of that area. The main part of this storm is moving east quickly into the eastern third of the country. Warmer temps east will keep the precip as rain. Cold temps in the west now last through tomorrow and warms into next week. The 6-10 day maps now show above normal temperatures for the entire country with above normal precip stretching from the PNW into the Plains and Southeast, below normal in the Great Lakes and New England.

It will take more than one peek into new highs to confirm a rally in corn. December is now in delivery and unable to break $3.67 so far. March corn has been stuck in the $3.70 to $3.90 range for 2 months now. January soybeans have rallied $.40+ cents off the recent and contract low and completed a 62% Fibonacci retracement of the recent break. This is a major resistance level that may hold the rally for a moment with additional resistance at the $9 level and support is at the $8.70 to $8.65 area. December Chicago wheat has lost $.38 ½ the last 5 trading sessions in a row and closed on a new contract low yesterday while the December KC contract flirts with the contract low at $4.49 the past few sessions.

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