



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets **Matt Hines**

Both live cattle and feeders gapped higher and finished limit higher for the day on Friday on limited volume though. The repeal of the mandatory Country of Origin Labeling rule by the U.S. government should help to stave off retaliatory tariffs on U.S. meat exports to Canada and Mexico. Cash feedlot trade was pretty well wrapped up by Thursday with live sales at \$117 to \$118 in Texas, Kansas and Colorado. Cattle traded from \$115 to \$117 live and \$183 to \$184 on a dressed basis in Nebraska and Iowa. Even though cash prices were still a couple dollars lower than week ago, the good news is weights are coming down pretty hard as most feeding areas continue to experience not ideal conditions.

After the close the cattle on feed report was friendly with actuals under estimates. Cattle on feed as of December 1st at 10.794 Million head and equal to last year's totals with the average estimate at 101%. November Marketings at 104% but skewed by one extra business day in November than last year. That erases the +4% and makes it near even with last year in actual numbers. November Placements at 89% compared to expectations at 96% was very friendly. Placements by weight class (expressed as % of previous year) - Under 600 lb 85%, 600-699 lb 90%, 700-799 lb 84%, Over 800 lb 99%

For the week, Friday December 4th to Friday December 11th, December Live Cattle down \$1.30, January Feeders down \$3.37, February Lean Hogs down \$3.50.

Cattle slaughter from Friday estimated at 110,000 head, down 3,000 from a week ago but up 3,000 from a year ago. For the week, 590,000 head, up 9,000 from a week ago and up 37,000 from a year ago. The year to date difference now at 5.1% less than a year ago.

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

Choice Cutout__194.14 -1.62

Select Cutout__186.35 +.81

Feeder Index:__154.52 -.17

Hog slaughter from Friday estimated at 433,000 head, down 3,000 from a week ago but up 1,000 from a year ago. For the week, 2,493,000 head, up 67,000 from a week ago and up 179,000 from a year ago.

Lean Index.__55.21 -.36

Pork carcass cutout__71.50 -1.74

IA-S.MN direct avg__49.02 -.19

National Average__48.53 -1.13

Opening calls are mixed for hogs and \$1 to \$2 higher for cattle futures with expanded limits today for both fats and feeders. We may not need that extra room to topside today but if the markets get going higher we could see a more lasting shift higher. December live cattle have a contract low at \$116.97 from last Thursday while January feeders contact low is \$143.20. February lean hogs broke their month long uptrend with the contact low at risk now at \$53.97.

It was a wild back and forth week for the grains with new contract lows in corn on a spike lower Thursday but a Friday reversal higher. Soybeans continued their price collapse earlier in the week with a strong rally Thursday and Friday. This week was one of political resolution with the Fed rate increase, Congress finally passing the spending bill and maintaining the status quo on the biodiesel blender credit. Argentine export taxes were removed or reduced and their currency devalued. All of the above should be viewed as bearish to grains but the markets were able to accept the expected outcomes and shake them off with sizeable moves higher to end the week.

For the week, Friday December 11th to Friday December 18th, March corn up \$.00 ³/₄, January Soybeans up \$.21 ¹/₂, March KC Wheat down \$.00 ¹/₄, March Chicago Wheat down \$.03 ³/₄.

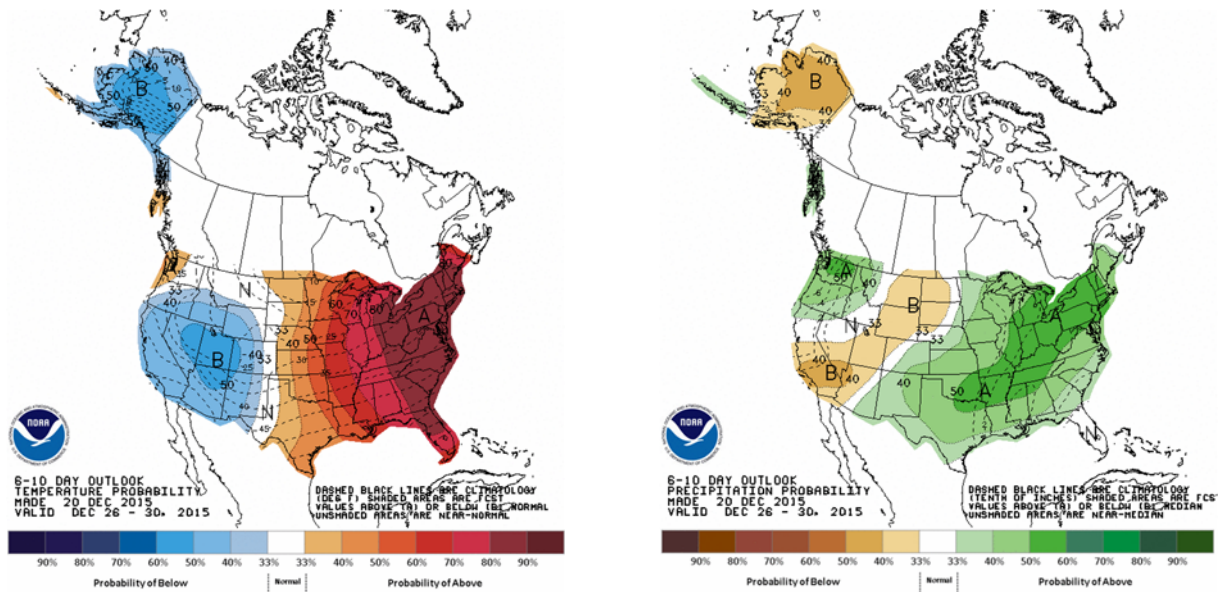
Overnight was pretty quiet with grains steady to 1 higher.

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All grains were pressured mid-week breaking support but did not follow through with additional pressure. March corn volatility picked up the last few days, touching a new contract low at \$3.62 ½ and then shooting higher to hit resistance at \$3.80. March Chicago and KC wheat contracts dipped below their \$4.80 support areas briefly last week with resistance also touched in the \$5.00 area. January soybeans are back in the top half of its two month range with resistance in the \$9.00 area and support at \$8.75.

There are reportedly some hot and dry pockets in Brazil and forecasts for this week not bringing much relief. It is early in the crop cycle though for South America with February typically the most critical time period. Here in the US above normal temps continue this week and into next for most of the central and eastern US. Precipitation is forecast above normal as well for most areas and excess for the southeast.



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