



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

Merry Christmas and Safe Travels

Livestock futures opened mixed after 2 days in row on limit higher trading both in live cattle and feeders. Most of the session saw steady to \$1 higher trade which picked up some steam as cash feedlot bids rose from \$120 to \$124 during the day. The cash cattle trade was mostly light Tuesday and essentially limited to parts of Kansas and Texas. Yet sales were reported by midday at \$122-\$124 which is \$5-\$7 higher than last week. It has been over a month and now only the 2nd time in over 2 months we have seen steady or higher week over week cash feedlot trade.

After the close though, a bearish reminder from USDA with the cold storage report. Total red meat +21% from year ago and a new November record high. Beef +27% from year ago, Pork +14% from year ago and total Poultry +22% from year ago. Now all total stocks were down compared to last month, but yet not enough to pull stocks considerably lower with new monthly records for many products again. Bacon supplies are good now with frozen pork bellies up 131% from last month and up 15% from a year ago. Price limits today back to normal at \$3 for fats and \$4.50 for feeders.

Cattle slaughter from Tuesday estimated at 116,000 head, down 2,000 from a week ago and down 1,000 compared to a year ago.

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

Choice Cutout__191.53 +.25

Select Cutout__183.65 -.28

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Feeder Index: __150.06 -4.46, still cruising lower picking up last week's sales but should start coming up with reports this week sharply higher but limited movement with the holidays.

Hog slaughter from Tuesday estimated at 440,000 head, up 2,000 from a week ago and up 13,000 compared to a year ago.

Lean Index. __54.65 -.56

Pork carcass cutout __71.40 -.41

IA-S.MN direct avg __48.63 -.96

National Average __47.79 -.65

This afternoon's USDA quarterly hogs and pigs report is forecast to show all hogs/pigs at 102% of the year ago level, those kept for breeding at 101% of the year earlier level and those for marketing at 102%. Farrowings in the Sept to Nov period are forecast at 98% of the year earlier levels, while farrowing intents for the Dec-Feb and Mar-May period are both seen at 100% of the year ago levels.

December live cattle gapped higher on Monday which so far is the support area at \$122 with resistance around \$128. January feeders also gapped higher to start the week with support seen in the \$152 area and the first line of resistance at \$160. February lean hogs trimmed over \$4 last week from the high to the low and since have been trading a consolidating range with \$57 at the midpoint. Look for trade to remain chopping with support at \$56 and resistance at \$58.20.

Grains continue to slide south this week with new news very thin. There are a couple private estimates out there reducing Brazil's soybean production down from the 100 MMT levels into the mid 90 MMT area with some net drying reported and mixed forecasts. The planting period though was just extended in a couple states so will watch and see if some soybeans get replanted taking away from the 2nd crop of corn. Egypt announced a tender for another round of wheat overnight so we can get a better gauge just how far out US values still are.

Overnight grains traded both sides of unchanged. Corn finished steady to fractionally higher on 2 cent ranges, soybeans steady to fractionally lower on 4 cent ranges and wheat steady to 1 higher on 2 cent ranges in KC and 4 cent ranges in Chicago.

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South Korea was very active overnight buying 4.4 MBU of new crop US soybeans and 2.1 MBU of optional origin corn to be shipped in April. Another South Korean feed company is tendering for 2.5 MBU of optional origin wheat to be shipped in May and 8.1 MBU of optional origin corn to be shipped June through July.

Russia is evaluating reducing export taxes and after signing grain phytosanitary agreement with China last week announced they expect to ship at least 1 MMT of grains into China this coming year.

No major Northern Hemisphere weather issues for winter wheat are expected in the near term, but warm temps could lead to more winter kill vulnerability later for the U.S. and Russia. The next winter storm in the Plains is to hit over the next few days causing more stress to cattle which could be the biggest impact to markets. The 6-10 day forecasts continue to show normal to above normal temps and precipitation for the central and eastern US with below normal temps centered over the Southwest and normal to below normal precipitation over the western third of the US.

March corn is at the lower end of the \$3.60 to \$3.80 recent range bound trade. Both KC and Chicago March wheat contracts are also near their lows, but again range bound like corn from \$4.65 to the \$5.00 overhead barrier. January soybeans are at the upper end of its \$8.60 to \$9.00 range. Beans have held better this week than corn and wheat but are feeling some pressure. A trade outside these ranges is not expected over the holiday but with thin volume and resting orders absent anything can happen. Markets are open normal hours today and close from 12:05 to 12.15 tomorrow for the Christmas break.

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