



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

The equity market collapse worldwide was finally too much for the cattle markets pushing fats and feeders limit down on Thursday. They stabilized Friday though and live cattle futures were up triple digits at one time. Feeders kept the selling on and touched expanded limits lower at one point but settled above that while fats were down less than \$1. Cash feedlot trade was \$1 to \$2 lower for the week but boxed beef prices continue to race higher. Dressed sales in the North at \$210 and \$132 to \$133 on a live basis in South.

For the week, Thursday December 31st to Friday January 8th, February Live Cattle down \$3.92, April down \$4.15, January Feeders down \$8.92, March down \$8.37, February Lean Hogs up \$.05, April down \$.72.

Cattle slaughter from Friday estimated at 102,000 head compared to 97,000 a year ago. Weekly totals were at 550,000 compared to 439,000 the week previous and 542,000 a year ago.

Boxed beef cutout values higher to sharply higher on moderate to fairly good demand and light to moderate offerings.

Choice Cutout__232.20 +1.61

Select Cutout__226.98 +3.09

Feeder Index:__166.54 -1.40

Hog slaughter from Friday estimated at 433,000 head, compared to only 368,000 a year ago. Weekly totals were at 2,375,000 up 348,000 from the week previous and up 227,000 from a year ago

Lean Index.__53.73 +.23

Pork carcass cutout__69.95 +.17

IA-S.MN direct avg__51.85 +1.08

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National Average__51.03 +.79

Opening calls are mixed for both cattle and hog futures this morning with expectations for both follow through selling and some short covering to hit today. February live cattle have not been able to push above the 100-day moving average over the past 2 weeks, currently sitting at \$137.20. The past two sessions for feeders has been ugly losing over 1/3 of the rally since mid-December. \$169.57 is the first line of resistance for the January contract with support at \$152.75 and then a gap down to \$148.75. February lean hogs continue their steady climb higher with the 10-day moving average providing support.

Short covering to end the week in the grains with soybeans and wheat finishing the week higher but corn still lower for the week. Wheat crop concerns in Ukraine are being talked about again with US futures rallying. One report has exports down as much as 8 MMT or 294 MBU due to a huge amount of unplanted acres. There are also reports that India will not be exporting wheat this year and possibly have to import 3 to 4 MMT.

For the week, Thursday December 31st to Friday January 8th, March corn down \$.01 ³/₄, December unchanged, March Soybeans up \$.01, November down \$.04 ¹/₄, March KC Wheat up \$.04 ¹/₄, July up \$.03 ¹/₂, March Chicago Wheat up \$.08 ¹/₂, July up \$.07.

Overnight grains were steady to lower after trading steady to higher to start the overnight. Corn finished 3 lower, soybeans and wheat both 1 to 2 lower. China's stock markets moved to a new 4-year low overnight with the Shanghai Composite showing a loss of 5.3% overnight.

USDA announced this morning a private sale of 120,000 MT or 4.4 MBU of soybeans sold to China and 248,000 MT or 9.1 MBU sold to unknown destinations for this crop year. They also announced a private sale of 152,400 MT or 6 MBU of corn for unknown destinations for this crop year.

The USDA crop report coming Tuesday is not expected to bring many surprises but this is the Jan crop report that seems to always hold some surprises and move the markets. Pre report estimates for production, yield, acreage and ending stocks are right at or within a few of USDA's estimates from a month ago. The Estimates from Bloomberg: Corn production 13.649 BBU vs. 13.645

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USDA December. Soybean production 3.978 BBU vs USDA at 3.981. Ending stocks at 1781 corn, 473 beans, and 918 wheat. Quarterly stocks are of course projected higher than a year ago though which is enough for the report to be viewed as neutral to bearish if all the numbers match. Dec stocks estimate at 1.694 BBU wheat vs 1.530 last year. Soybean stocks estimate at 2.742 vs 2.528 last year. Corn stocks estimate at 11.246 vs 11.211 last year which would be an all-time record corn stocks if confirmed.

Technically grains showed a nice recovery last week but unable to follow through overnight. March corn is less than a dime away from the contract low while soybeans and wheat futures are roughly 20 cents away.

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