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Morning Ag Markets

Matt Hines

Cattle futures tried to hold triple digit gains early but faded throughout the session yesterday. Cash feedlot trade so far this week has been light with packer's early offers at even money but most still holding hope for a \$2 to \$4 higher week. Nebraska traded a few head so far this week at \$134 live and \$210 on a dressed basis which is \$2 higher than a week ago. Boxed beef prices steady to lower compared to the sharply higher prices and good demand over the past 2 weeks. Early week reports from salebarns are showing mixed results with some pressure on feeders but typically steady to higher prices paid for calves. Demand so far has been moderate to good. Lean hogs held their strong gains with the nearby February Contract pushing above the \$61.50 resistance level and cracking \$62 for the first time since early November. The current strength has been tied to expectations for a firm cash market and prices supported so far this New Year.

Cattle slaughter from Tuesday estimated at 111,000 head matching last Tuesday's total but down 1,000 compared to a year ago.

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

Choice Cutout__235.18 -.14

Select Cutout__227.61 -1.46

Feeder Index:__164.51 -1.31

Hog slaughter from Tuesday estimated at 439,000 head, up 5,000 from last week and year ago.

Lean Index.__54.21 +.21

Pork carcass cutout__70.48 +.01

IA-S.MN direct avg__52.64 +1.34

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National Average__51.97 +1.89

February live cattle have been down the past 5 sessions in a row now after pushing against the 100-day moving average in the \$138 area. Support is around the \$129 area with a large \$3+ gap below that. You would think a push back above \$132 would be easy to justify with higher cash feedlot this week. January feeders have lost almost \$12 over the past week but have found support in the \$158 area. Again, February lean hogs will try to close above the \$62 level this week with the next area of resistance up near \$63.

It was report day over in the grains yesterday and the January crop report day is always filled with a lot of data thrown at the market. The final fall crop production is produced along with winter wheat acres released and December 1st quarterly stocks report. Corn and soybean production estimates were decreased, corn ending stocks up 17 MBU though while soybean ending stocks were lowered by 25 MBU. World stocks for both down a couple MMT which helps more than anything with current record world ending stocks. Wheat stocks higher both in the US and world but US winter wheat acres down 2.9 million from last year and almost 2 million below the lowest pre report estimate. Quarterly stocks were line with estimates and higher than a year ago. Remember the market reacts to what USDA said a month ago and what traders thought would come out. We still have adequate to burdensome stocks in the US and worldwide so it was a friendly report but not worthy of limit higher moves.

Grains were mostly lower overnight but corn and soybeans were both able to climb back into positive territory early this morning. Not surprisingly, wheat led the way lower and finished 3 to 4 lower overnight in a very quiet overnight session.

Taiwan flour mills have been active this week with 1 buying 88,750 MT or 3.26 MBU of US milling quality wheat while another purchased 80,600 MT or 2.96 MBU from Australia. There was also a tender by MFIG of Taiwan for 130,000 MT or 5.1 MBU or corn but all offers were rejected due to prices too high.

India tendering for 290,000 MT or 11.4 MBU or corn with the lowest offers coming from Ukraine but still no confirmation a deal is done yet. Overnight they tendered for another 200,000 MT or 7.8 MBU due to such a good response to the first one.

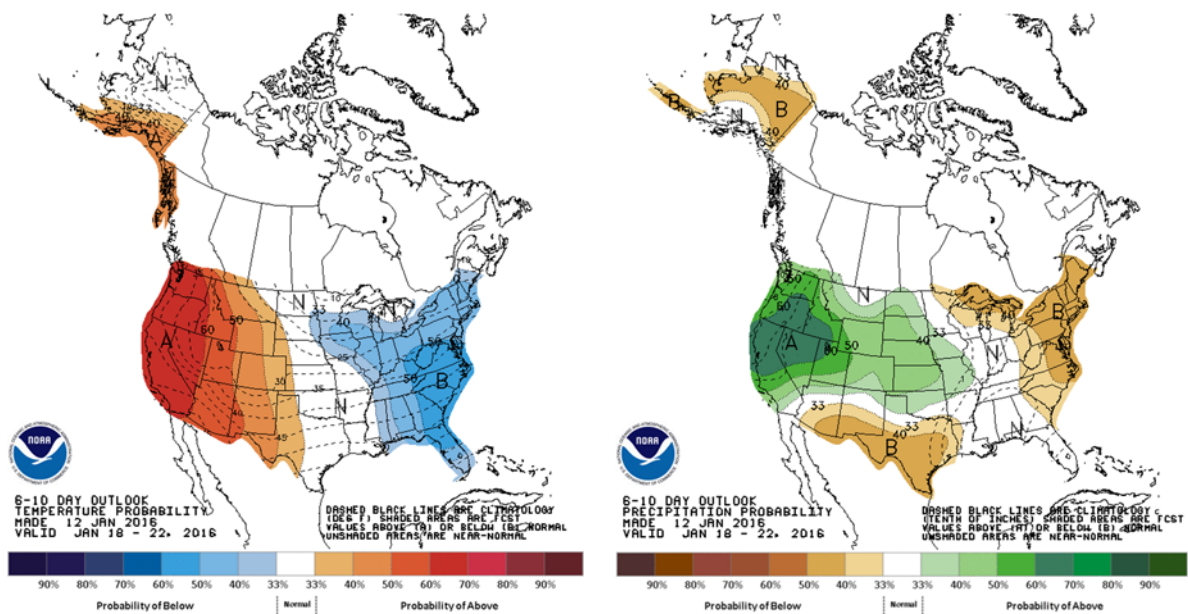
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Chinese customs data was released overnight with a reported 9.12 MMT or 335 MBU of soybean imports for the month of December. According to their data that brings total 2015 soybean imports up to 81.69 MMT, over 3 BBU, a new record high volume.

Technically all grains show a key reversal higher from yesterday crop reports but none are showing any desire to continue a rally and could not push above yesterday's high overnight. Both March Chicago and KC wheat contracts came within a penny or two of doing so but quickly faded back lower. The 10-day moving average will be the first line of support at \$4.69 ³/₄ in Chicago and \$4.66 ¹/₄ in KC. March soybeans looked to have broken the month long downtrend but the 100-day moving average at \$8.81 is the first line of resistance. March corn has good support in the \$3.50 area.

It looks fairly dry in the Plains over this next week with moisture on both coasts. The 6-10 day outlook normal to above normal for all areas except the Southwest and Northeast. Temperatures are forecasted above normal West and below normal East.



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