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Loewen and Associates

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Morning Ag Markets **Matt Hines**

Cattle futures showed some bounce back as equities had not been hammered the past couple sessions. Buyers stepped in and covered short positions from the opening bell on although activity was light as the day progressed. Hogs were mixed more than anything looking for direction now as the front month February contract matched the highs back from early November.

There are many in the livestock industry complaining about the extreme volatility we have experienced over the past few months. Some want to blame the packer and others blaming the high frequency or algo trading. Here's the deal, if you are a true hedger and believe in the margin philosophy from day 1, your risk is no longer in the volatile price swings. What I will also say is that this type of movement and market frenzy has given us opportunities galore and pick and choose wisely when to use futures, options and the right mix of both.

Cattle slaughter from Tuesday estimated at 112,000 head, up 1,000 from a week ago and matching a year ago.

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

Choice Cutout__229.93 -1.35

Select Cutout__223.70 -1.24

Feeder Index:__159.89 -.46

Hog slaughter from Tuesday estimated at 439,000 head, even with last week and up 2,000 compared to a year ago.

Lean Index.__56.25 +.42

Pork carcass cutout__73.43 -.07

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IA-S.MN direct avg__54.94 +2.28

National Average__53.91 +2.47

February live cattle did not continue to fill the gap left back in December but rebounded higher and filled the gap left by the limit down day last Friday. Support is seen around \$127.50 with resistance at \$132 with cash trade still premium to futures. January feeders are still discount the index and look to hang around the \$155 area. The March contract though still has a gap above and below to take care of. February lean hogs popped above the 100-day moving average yesterday at \$63.02. The \$62 level should provide support with resistance up at \$64.19, the 62% retracement level from the high in Oct down to the lows in mid-November.

Asian stock exchanges lower, DOW starting off 300 pts lower and the US\$ firm. So it looks like we will see some pressure on commodities here again today. Crude under the \$28 per barrel level this morning, the first time since 2003!

Corn and soybeans showed steady gains throughout the day yesterday which pulled wheat futures higher until the last hour of trade. Informa updated their projections for 2016 planted acres taking all the USDA wheat acres cut and adding it to soybeans and cotton. That is a pretty easy assessment but some of those areas in the Plains could push more grain sorghum or even corn with the exceptional moisture profile heading into spring.

Export inspections for the week ending January 14th were released yesterday at or slightly above expectations. Soybeans led the way again at 51.3 MBU followed by corn at 22.9 MBU, wheat at 12.5 MBU and grain sorghum at 3.5 MBU.

Fundamental news is light but some are trying to build a case for US corn exports to increase here this spring. Brazil is said to be tapped with basis levels strengthening and maybe even oversold currently with domestic users soon to be scrambling for supplies. This opens the door for the excess Argentine corn to easily move into Brazil and next in line with plenty available for the world would be from here in the US.

Grains were steady to mostly lower overnight with pressure from outside markets. Corn held the best only finishing 1 lower with wheat 2 to 4 lower and soybeans off 6 to 7.

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Overnight South Korea purchased 50,000 MT or 2 MBU of US corn for shipment in May and 69,000 MT or 2.5 MBU of optional origin feed wheat, most likely to come from Argentina.

This morning USDA reported a private sale of 243,100 MT or 9.57 MBU of corn sold to Mexico for this crop year.

Many private estimates for Brazil's crops are lower for soybeans and at or above what the government estimated last week for corn. Sub 100 MMT soybean crop is the being projected by most now with too many areas hit by hot and dry temps followed up by some localized flooding. Others close to or still above the 100 MMT estimate continue to say the recent weather has been more beneficial than detrimental.

Technically grains are all showing a nice uptrend currently. March corn hit some resistance just shy of \$3.70 with support seen in the \$3.60 area. March soybeans pushed above the 10 and 100- day moving averages again. This happened twice in December but only lasted a couple days each time. Resistance is at the \$9.00 area with support at \$8.73. Both March KC and Chicago wheat are right at their respective 10-day moving averages providing support with resistance in the \$4.89 to \$4.94 area.

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