



## **Loewen and Associates**

***Commodity Consulting/Brokerage***

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### **Morning Ag Markets**

#### **Matt Hines**

Locked limit down cattle futures typically means further decline the next day, right? Oh wait this is the volatile cattle market that thinks limit down means move higher the next day? It was a mixed day for both live cattle and feeder contracts actually as they look for a direction to head now. Feeders were up triple digits for part of day yesterday. Cash feeder and calf markets have been running right at the 5 year average but this week's early sales were another \$2 to \$5 lower than a week ago pushing average prices below that area now. Undertones of the cash fed cattle market for this week are lower given the current futures markets and lower boxed beef markets.

Cattle slaughter from Tuesday estimated at 109,000 up 32,000 from week ago but down 1,000 compared to a year ago.

Hog slaughter from Tuesday estimated at 422,000 head, up 117,000 from a week ago but down 9,000 from year ago.

Boxed beef cutout values lower to sharply lower on light to moderate demand and offerings for a total of 134 loads sold.

Choice Cutout\_\_218.03 -.78

Select Cutout\_\_213.60 -2.98

CME Feeder Index\_\_159.76 -.39

CME Lean Hog Index\_\_64.89 +.27

Pork carcass cutout\_\_77.17 +.21

IA-S.MN direct avg\_\_63.08 +.23

National Average\_\_62.16 +.83

Live cattle futures are down challenging uptrend line support from the December lows at \$130 in the April and \$121 in the June and really need to hold these levels to keep from moving lower. Feeders took out this trend line support

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already on Monday. March Feeders have resistance in the \$155 area with the first line of support at yesterday's low of \$148 and then the contract low at \$141.70.

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It was report day for the grains but based on the futures trade nothing at all took place. The supply and demand report was bearish for all three with wheat seeing the largest adjustments. World stocks were raised 6 MMT and US stocks up 25 MBU. An increase of 2 MMT in China's 2014/2015 crop year ending stocks and a reduction of 4 MMT of this current year's usage was the massive change made to world wheat. US exports were reduced as expected and this will probably not be the last adjustment lower.

US corn stocks were estimated 35 MBU higher with a 10 MBU increase to imports and 50 MBU decrease to exports offset some by a 25 MBU increase in corn usage for ethanol. World ending stocks were left in essence unchanged due to increase in feed usage and exports to offset the nearly 4 MMT increase in production estimates for Brazil and Argentina. US soybean stocks were only increased by 10 MBU with the same reduction in domestic crush, but most expected ending stocks to decrease slightly. Brazil's soybean production was left unchanged at 100 MMT but Argentina was increased by 1.5 MMT to 58.5 MMT.

Grains were mixed overnight but didn't stray too far from unchanged. Corn finished 1 to 2 lower, soybeans 1 higher and wheat steady to 1 lower.

USDA reported a private sale of 243,000 MT or 9.6 MBU sold to Japan but this is for the 2016/2017 crop year.

China is still on their week long New Year celebration while Brazil and Argentina are back to work today.

Mexico is shopping wheat this week and rumors are starting to circulate they may be looking hard at some cheaper French wheat instead of buying from the US.

Markets are usually bantering about acreage already but it seems all are depressed and unresponsive with the lack of price volatility and price movement mostly lower. We already know that winter wheat acres are down almost 3 million from a year ago and spring wheat will not take its place.

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The corn market finally closed the gap and suggests that this rally is done. March corn has \$3.65 as the resistance level now and looks to be targeting the \$3.50 lows from January. March soybeans have some support in the \$8.60 area with more in the \$8.50 area. If broken the counts lead down to \$7.80 and it is interesting that the weekly count goes to near the same level. Chicago March wheat is still pressing to take out the Jan lows as KC has already done it.

#### US CORN SUPPLY & DEMAND

#### US SOYBEANS SUPPLY & DEMAND

#### US WHEAT SUPPLY & DEMAND

	15/16	15/16		15/16	15/16		15/16	15/16
	JAN	FEB		JAN	FEB		JAN	FEB
Planted	88.0	88.0	Planted	82.7	82.7	Planted	54.6	54.6
Harvested	80.7	80.7	Harvested	81.8	81.8	Harvested	47.1	47.1
% Harvested	91.70%	91.70%	% Harvested	98.91%	98.91%	% Harvested	86.26%	86.26%
Yield	168.4	168.4	Yield	48.0	48.0	Yield	43.6	43.6
Beg Stocks	1731	1731	Beg Stocks	191	191	Beg Stocks	752	752
Production	13601	13601	Production	3930	3930	Production	2052	2052
Imports	40	50	Imports	30	30	Imports	120	120
Total Supply	15372	15382	Total Supply	4150	4150	Total Supply	2924	2924
Feed	5300	5300	Crush	1890	1880	Food	967	967
Food & Seed	1370	1370	Export	1690	1690	Seed/Feed/Res	216	216
Ethanol	5200	5225	Seed & Res	131	131	Exports	800	775
Export	1700	1650	Total Use	3711	3701	Total Use	1983	1958
Total Use	13570	13545	Ending Stocks	440	450	Ending Stocks	941	966
Ending Stocks	1802	1837	Stocks to Use %	11.87%	12.17%	Stocks to Use %	47.43%	49.31%

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