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Loewen and Associates

Commodity Consulting/Brokerage

**Pete Loewen, Matt Hines,
Doug Biswell, Matt Burgener
866 341 6700**

www.loewenassociates.com

Morning Ag Markets

Matt Hines

Livestock futures were higher yesterday as grains faded lower. Live cattle futures led the way pushing against the first line of resistance and helping pull feeders up to resistance levels. Undertones of the fed cattle market continue to be steady/higher given higher boxed beef markets, strength in the futures, and smaller showlists. A few head were traded yesterday at \$135 live in Colorado and rumors that Nebraska trade was steady again at \$210 on a dressed basis. Beef prices were sharply higher yesterday along with pork values helping turn lean hog futures around for a positive day as well.

USDA Cold Storage Report

Total red meat supplies in freezers were up 9% from the previous month and up 7% from last year. Total pounds of beef in freezers at 518.46 million pounds versus expectations of 516 million pounds which is up 1% from the previous month and up 5% from last year. Total beef is a record high for the month of January, since the data was first recorded in 1915. Frozen pork supplies were up 17% from the previous month and up 7% from last year at 637.04 million pounds with expectations only at 608 million pounds. Total pork is a record high for the month of January, since the data was first recorded in 1915. Stocks of pork bellies were up 14% from last month and up 13% from last year. Total frozen poultry supplies as of January 31, 2016 were up 5% from the previous month and up 11% from a year ago. Total stocks of chicken were down 4% from the previous month at 824.81 billion pounds and under the expected 851 billion pounds expected but still up 13% from last year.

Carthage - Joplin Regional Stockyards, Feeder Cattle Auction for 02/22/16

Receipts: 6835 Week Ago: 4500 Year Ago: 2880

Compared to last week, steers under 600 lbs. steady to \$3 higher, over 600 lbs. \$1 to \$4 higher, heifers under 600 lbs. steady, except under 350 lbs. sold with a

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sharply higher undertone, over 600 lbs. steady to \$3 higher. Demand good, supply moderate to heavy.

Oklahoma National Stockyards - Oklahoma City, OK Feeder Cattle Weighted Average Report for 02/22/2016

Actual Receipts: 7,919 Last Monday: 7,859 Year Ago Monday: 3,999
Compared to last week: Feeder steers over 800 lbs. steady to \$2 higher; feeder and stocker steers under 800 lbs. \$5 to \$10 higher. Feeder heifers \$2 to \$4 higher. Steer and heifer calves \$5 to \$10 higher, least advance on 400-500 lb. steers. Supply mostly attractive quality with many in medium to thin flesh conditions. Demand is especially good for lighter fleshed cattle to turn back out on graze-out wheat.

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

Hog slaughter from Tuesday estimated at 438,000 head, down 1,000 from a week ago but up 32,000 from year ago.

Boxed beef cutout values higher on moderate to fairly good demand and light to moderate offerings for a total of 130 loads sold.

Choice Cutout__215.14 +1.86

Select Cutout__212.30 +2.50

CME Feeder Index__158.27 +.17

CME Lean Hog Index__66.38 -.02

Pork carcass cutout__75.68 +.05

IA-S.MN direct avg__63.13 +1.39

National Average__61.87 +.33

February live cattle only have a few days of trading left and are currently pressing against the down trending line. There is strong resistance at \$137.87, the high from earlier this month and back in late December. April live cattle would need to push through \$136.72. March Feeders were able to push above the downtrend line yesterday but follow through was not present. A break above the \$160 level would be supportive for an additional run higher. April lean hogs are still trending higher with support in the \$68 level and the \$71 area as resistance.

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All three grains closed lower yesterday pressured by South American harvest in full force with good early harvest yields even with some localized flooding in parts of Argentina. Brazil vessel line up is 163 vessels with 7.5 MMT, over 275 MBU soybeans and 2.2 MMT or 86.6 MBU of corn. Wet weather has already begun delaying loadings. Chicago wheat flopped down for a new contract low yesterday as funds added to already large short positions throughout the grain complex.

Overnight in the grain complex trade was thin with ranges of only 2 to 4 cents with corn, soybeans and wheat all finishing 1 to 2 lower.

Weekly EIA ethanol data will be out later today and is expected to show a modest reduction in production rates. Industry profitability remains lackluster at best with the Midwest average at breakeven or negative a few cents per bushel. Hog margins remain profitable, while both dairy and cattle feeders are near breakeven to maybe slightly better.

The USDA Outlook Conference starts tomorrow with acreage estimates out Thursday and revised balance sheets out on Friday. Reuters Analyst Poll has corn at 89.6 million acres vs. 87.9 last year and soybeans at 83.3 million acres vs. 82.6 last year. All Wheat is estimated at 52.4 million acres vs. 51.4 last year. The 2.9 million acre decrease in winter wheat acres and the reduction in prevent plant from last year has the trade concerned that there will be a marked increase in spring planted crops with some looking as high as 3 to 3.5 million increase in corn and 1 million increase in soybeans.

March corn now stuck between \$3.58 and \$3.70 the past couple weeks with strong resistance at \$3.73 ½ and support in the \$3.50 area. March soybeans also chopping sideways from \$8.60 to \$8.90. March Chicago wheat pushed past \$4.50 yesterday, a new contract low, as the KC March contract has held so far at \$4.42 ¼.

Loewen and Associates, Inc.

Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

www.loewenassociates.com pete@loewenassociates.com matt@loewenassociates.com

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