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Date: 2.26.16

Morning Ag Markets

Matt Hines

Cattle futures held solid gains yesterday as traders firmly hold to the ability to focus on tightening supplies and the ability to draw additional buyer interest back into the market. Additional support coming from higher boxed beef prices again yesterday as well. Certainly the strength in the cash feeder cattle market is supporting futures there and renewed fund buying in anticipation of higher boxed beef and cash fed cattle markets are supporting the live cattle. So far this week there has been just a trickle of cattle changing hands at $135 live and $2.10 dressed. Light pressure on the lean hogs yesterday from light profit taking after 3 days higher and pork prices have crept lower.

Cattle slaughter from Thursday estimated at 109,000 head, up 2,000 from week ago and even with a year ago.

Hog slaughter from Thursday estimated at 388,000 head, down 49,000 from a week ago and down 36,000 from year ago.

Boxed beef cutout values higher on Choice and firm on Select on light to moderate demand and light offerings for a total of 114 loads sold.
Choice Cutout__218.76 +1.04
Select Cutout__213.98 +.26
CME Feeder Index__158.67 -.02
CME Lean Hog Index__66.52 +.03
Pork carcass cutout__74.22 -.76
IA-S.MN direct avg__65.42 +.79
National Average__63.88 +.48

February live cattle broke through the double top at $137.87 yesterday. The April contract also pushed through the first line of resistance with the next up in the $138 to $139 area. March Feeders have pushed above the down trend but have yet to break $160 and specifically the $160.70 high from late December. April lean hogs are still trending higher with support in the $68 level and the $72 area as resistance.

Starting Monday, the CME Group will change their Live Cattle, Feeder Cattle and Lean Hog futures and options trading hours from 8:30 am to 1:02 pm (Central) daily for options floor trading and to 8:30 am to 1:05 pm (Central) daily for electronic Globex trading, eliminating the afternoon session.
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Corn and soybeans finished lower yesterday as wheat held on to small gains. Weekly corn export sales came in at 934,500 MT or 36.8 MBU, right in the middle of the estimated range. This took year to date sales to 26.6 MMT vs. 34.7 MMT sold on this date last year. Total sales equal 63% of the total USDA estimate vs. the five year average for this date of 75%. Soybean sales came in at the low end of expectations, 328,300 or 12.1 MBU. Year to date sales stand at 42 MMT vs. 47 MMT sold last year on this date. Total sales equal 91% of the USDA estimate vs. the five year average of 92% Wheat sales were at 388 TMT or 14.3 MBU, with an additional 98 TMT of new crop or 3.6 MBU.

The favorable outlook for South American weather remains unchanged. Some harvest delays and port loading delays in Brazil may occur, but that certainly hasn't stopped the bleeding of US Gulf soybean basis. AgroConsult raised estimates of both first and second crop Brazil corn. They raised first crop 0.5 MMT to 28.5, and the second crop by 1 MMT to 58.8 MMT. They also raised Brazil's soybean crop estimate by 2.4 MMT to a whopping 101.6 MMT. Buenos Aires Grain Exchange left Argentina's corn crop estimates unchanged at 25 MMT, while the government raised their corn acreage projections from 5.69 mln hectares up to 5.88 mln hectares. Buenos Aires Grain Exchange kept their current Argentine soybean harvest estimate unchanged at 58.0 MMT.

Overnight grains were mixed with corn down ½ penny, soybeans up 1 to 2 and wheat steady to 1 higher.

USDA Outlook Forum, Grains and Oilseeds Summary - The early 2016/17 outlook for grains and oilseeds reflects large domestic and world supplies with reduced prospects for prices and producer returns. Lower returns reduce incentives for plantings of wheat and soybeans, but shifts in relative prices and lower input costs support a year-to-year increase in expected corn plantings.

Wheat production is projected to decline on lower planted area, which is only partially offset by higher yields. Winter wheat acres were already down 2.9 million and spring wheat acres are expected to be .5 million less than a year ago. Higher carryin stocks, however, raise expected supplies from 2015/16. Larger supplies are only partially offset by higher use, boosting ending stocks to the highest level in 29 years at 989 MBU, +23 MBU from this current crop year.

Corn plantings are projected to increase by 2 million acres from last year to 90 million acreas with lower prices for fertilizer and fuel. With higher production and larger beginning stocks, corn supplies are projected to be record high. Growth in usage is driven mostly by higher projected feed and residual use, largely reflecting expansion in the livestock sector. Strong competition from South America limits the increase in exports. U.S. corn ending stocks are projected at a 12-year high at 1.977 BBU up 140 MBU from this current crop year.

Soybean planted area is projected to decline slightly, down .2 million acres from a year ago at 82.5 million acres, on lower expected prices and producer returns. With sharply higher beginning stocks more than offsetting lower production, soybean supplies, as with corn, are projected to be record high. With a significant rebound in exports and modest crush gains, 2016/17 soybean ending stocks are projected to decline slightly from the previous year. Ending stocks at 440 MBU, down 10 MBU with total supply up and offset by hopes that exports will increase 135 MBU compared to this year's estimate.

March corn now in the lower end of its 3 month trading range with strong support in the $3.50 area. March soybeans area as well matching the lows seen earlier this month with additional support in the $8.50 area. Both March Chicago and KC are off their contract lows about a nickel with resistance another dime higher.

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