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Date: 2.29.16

Morning Ag Markets

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Cattle futures opened higher Friday trying to extend the week long gains but those faded by midday as buyers seem to have left the room. Mixed trade persisted throughout the rest of the day, with prices settling lower, as the futures awaited more news from the cash feedlot trade. Up until the close only a few trades had trickled in this week steady with a week ago at $135 live and $2.10 dressed. After the close, live sales sold in Kansas $3 higher at $137 with a few dressed sales at $216.50. In Nebraska, compared to last week, dressed sales were $2 to $4 higher than the bulk of dressed sales last week from $212 to $216, bulk at $214. Live sales in Nebraska ranged from $133 to $137 with sales in Western Nebraska from $136 to $137. In Colorado trade and demand was moderate with live sales at $136. In Iowa a few sales were reported at $133 live and from $212 to $214 on a dressed basis. Supplies are tightening as carcass weights fall. The latest report showed steer carcasses falling by 10 pounds.

NATIONAL FEEDER & STOCKER CATTLE SUMMARY for the Week Ending 02/26/16 - Compared to last week, calves traded mostly $3 to $8 higher with instances $10 higher and yearlings sold mostly steady to $3 higher. Active trading this week in the major marketing areas as feeder cattle market continues to rally with many calves headed south for winter grazing. Demand remains very good for calves and stocker cattle weighing mostly 500-700 lbs with best demand on the long timed weaned and light yearlings with good weighing conditions. These type of stockers need little or no warming-up for grass and will come off pasture as heavy yearlings. Demand for feedlot cattle in parts of the Northern Plains (mostly Nebraska) is better this week as pen conditions have improved in western and central areas of the trade area. Reports of poor pen conditions in the eastern part of Nebraska and western Iowa are still prevailing. Continued support in the cattle futures last week have definitely given support to the feeder cattle prices. Cattle futures trade also seems to have calmed down and been less volatile the last couple of weeks, hopefully finding more of a structured pace. Feeder cattle prices last week have also been lifted by buying interest in the cattle futures, increasing boxed-beef prices and positive fed cattle expectations.

For the week, Friday February 19th to Friday February 26th, February Live Cattle up $2.17, April up $3.05, March Feeders up $2.77, May up $2.77, April Lean Hogs up $1.95, June up $1.70.

Cattle slaughter from Friday estimated at 101,000 head, up 2,000 from week ago but down 3,000 compared to a year ago. Weekly totals were estimated at 534,000 head, up 13,000 compared to the week previous and up 8,000 from a year ago.

Hog slaughter from Friday estimated at 433,000 head, up 2,000 from a week ago and up 14,000 from year ago. Weekly totals were at 2,211,000 down 83,000 from the week previous and down 48,000 from a year ago.

Boxed beef cutout values lower on light to moderate demand and offerings on a total of only 93 loads sold.
Choice Cutout__217.67 -1.09
Select Cutout__211.99 -1.99
Feeder Index:__158.18 -.49
Lean Index.__66.60 +.08
Pork carcass cutout__74.12 -.10
IA-S.MN direct avg__63.50 -2.06
National Average__62.22 -1.86

April live cattle pushed up to the highs for the year with the December high at $138.95 and the next resistance area up at the October high at $144.45. March Feeders reached but did not break the $160 area last week. Getting above that area this week should lead to run up to the $165 area. April lean hogs are still trending higher with support in the $68 level and the $72 area as resistance.

Today starts the new trading hours for livestock futures 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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Grains were lower for most of the day with corn and soybeans pennies away from strong support levels and wheat the same away from new contract lows.

Pressure came Friday from the USDA Outlook forum looking for 2 million more acres to be planted to corn this next year and South America harvest progressing with very good yields reported. Into the close though grains pulled back off their lows but still not enough for a higher settlement price.

Corn closed lower for the fourth session in a row Friday, though some late buying offered at least a glimmer of hope for bulls. CFTC data after the close found a small amount of short-covering by funds in corn for the week ended 2/23. "Large Non-Commercial" (aka spec) traders were net buyers of 6,500 corn, which slightly trimmed their overall net short position to 183,000 contracts, acc. to the CFTC Supplemental report. Including action from Friday, the fund short could be close to 210,000 contracts, including option deltas.

The USDA Outlook Forum S&D did not offer many surprises to the corn market, particularly after the 90 million acre planted number. The USDA projected modest increases in demand for the 16/17 marketing year, which would lead to a small increase in carryout over this current marketing year, though they did manage to keep domestic 16/17 ending stocks below 2 billion bushels. Important to realize this is pure guesswork with both spring and summer weather ahead. The next major new crop inputs will come in the form of the prospective planting reports at the end of March, and the next "educated guess" at the 16/17 S&D in the May WASDE.

Ethanol producers are hovering around breakeven, with those paying unders making maybe +10-15 c/bu, and those paying overs likely losing -10-15 c/bu. Hog margins remain solid, while a few cattle feeders may be able to earn a couple bucks on newly-purchased calves.

Egypt ended up buying a total of 300,000 MT, 11 MBU, of wheat for March 26 through April 4 shipment. The breakdown was 60 TMT French, 120 TMT Romanian, 60 TMT Argentine and 60 TMT Ukrainian. The average price was $185.46/MT which is $8 lower than their previous purchased.

For the week, Friday February 19th to Friday February 26th, March corn down $.11, December down $.08 ¼, March Soybeans down $.32 ¼, November down $.12 ½, March KC Wheat down $.14 ½, July down $.12, March Chicago Wheat down $.18 ½, July down $.14 ½.

Grains were mixed overnight with soybeans finishing 1 to 3 lower, corn 1 to 2 higher and wheat 2 to 5 higher. The reality of another record Brazil crop and time running out for a weather market in South America seems to be effecting the grains the most now.

Over the weekend, rains were the greatest in Central and Southern Brazil and continue through Wednesday while in Argentina 1 to 2 inches fell in the Northeast half of the nation. A favorable mix is forecasted for both over the next couple weeks improving harvest weather.

Today is first notice day for March grains meaning no trading limits on the nearby contract and volume will be getting thinner over the next 2 weeks.

March corn now in the lower end of its 3 month trading range with strong support in the $3.50 area. The May corn chart looks similar with support at $3.55. March and May soybeans are as well matching the lows seen earlier this month with additional support in the $8.50 area. Both Chicago and KC wheat contracts are off their contract lows about a nickel with resistance another dime higher.

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