Loewen and Associates, Inc.
Commodity Consulting/Brokerage
Pete Loewen, Matt Hines,
Doug Biswell, Matt Burgener
866 341 6700
www.loewenassociates.com

Date: March 04, 2016

Cattle complex futures closed mixed yesterday, a little lower on the front end and a little higher on the deeper deferred contracts. Hogs were up on the front month and down on all the rest. None of the trade was very volatile and nothing in any of the meats closed in the triple digits in the net changes in any direction. The closest was April feeders at 90 cents lower.

Product trade had a small hiccup, posting mildly lower quotes in the afternoon report. Choice beef is still up about $2.00 from last Friday's finish. I would like to think that gives the packer at least a small reason to be generous in the negotiated feedlot trade. The flipside of that argument though is the now spot April live cattle futures contract that's closed about $1.50 below last week's cash peak. Not that it has a tremendous amount of bearing on where cash lands because we're still a long way from the month of April when that futures and cash relationship will mean more, but there's still likely some psychology involved in the discount.

One of the key short to intermediate term factors on the positive side is the bullish breakout on the charts in cattle last week. We were looking at a long, very well established bearish trend that was pretty easy to draw a line across the highs and follow the drop on the charts. That downtrend line was violated briefly on the 4th of February, but then failed. On the 22nd of February it decisively broke out to the upside and then promptly gained about $4.00. This week's trade has been frustrating because cattle futures have been under pressure most days, not extending the gains. I'm still holding hopes though…

Cattle slg.___ 109,000 unch wa +2k ya

Choice Cutout__219.75 -.30

Select Cutout___211.64 -.29

Feeder Index:___158.79 -.29

Lean Index.__ 66.91 +.14

Pork cutout___75.43 -.33

IA-S.MN direct avg__63.23 -.32

Hog slg.___432,000 +44k wa   +26k ya

****

In the grain trade, wheat had a banner day, posting double digit gains. Soybeans scored only weak gains. Corn struggled, unable to catch any spillover from the other two. With funds massive shorts in the wheat market, it was relatively easy to build on the early buying. The problem was finding fundamental bullishness to justify a continuation of the move higher as something more long term sustainable. Wheat export sales have been pitiful with only 12.7 mln bushels reported in yesterday morning's weekly sales data. Cumulative sales for the marketing year lag year ago totals by a hefty 139 mln bushels as well. Additionally, Egypt's big buy this week once again included zero wheat from the US, which isn't surprising because our export offers are considerably higher than most other world exporting countries. If funds or managed money want to cover their short futures, fundamentals don't matter though, so I'm not complaining about yesterday's rally, just fundamentally trying to justify it???

6-10 day weather last night showed above normal temps everywhere in the Central and Eastern US. Precip was above normal in the SRW wheat belt, but normal to below in HRW wheat country.

Next Wednesday is the next USDA S&D report with the estimates as follows. Corn ending stocks are projected at 1.854 bln bushels versus 1.837 bln last month. Soybeans are pegged at 452 mln versus 450 last month. Wheat stocks estimates are 975 mln bushels versus 966 in February. Looking at the estimates versus last year's numbers, corn guesses at 1.854 compare to a 1.731 number last year. Beans are 452 mln versus 191 mln last year. Wheat is 975 mln versus 752 a year ago. Those are bearish numbers in beans and wheat. Corn is really pretty neutral. The corn market's problem is excessive world ending stocks totals.

Pete Loewen

Loewen and Associates, Inc.

Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

www.loewenassociates.com

peteloewen@cox.net

866 341 6700