



Loewen and Associates

Commodity Consulting/Brokerage

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Date: November 7th, 2016

Morning Ag Markets

Matt Hines

Livestock futures rallied for the first half of the week then spun lower to end the week. Cash feedlot trade was steady to \$1 higher at midweek but also pulled back lower on Thursday and Friday with lower futures providing the pressure. Beef and pork exports volume were below a week ago and the last 4 weeks average.

NATIONAL FEEDER & STOCKER CATTLE SUMMARY – 11/04/2016

RECEIPTS:	Auctions	Direct	Video/Internet	Total
This Week	279,900	38,300	8,400	326,600
This Week	255,300	59,900	19,200	334,400
Last Year	334,500	40,200	2,300	377,000

Compared to last week, steers and heifers traded steady to 4.00 higher, with instances up to 8.00 higher. Two weeks of higher trending markets is just what the doctor ordered for an ailing market that had seen a tremendous amount of equity erode in the past two months. Cow/calf producers were disheartened with what was happening in the auctions and were content to make those spring born calves bigger before letting someone else own them. The market downturn was not much of their making, but as a cow/calf producer, it is very hard to make incremental changes to an operation when the generation interval on cattle is much longer than poultry and hogs. The discount between a weaned/unweaned is still in the marketplace, however more of the weaned consignments are now showing up.

For the week, Friday October 28th to Friday November 4th, December Live Cattle - \$1.62, February -\$0.62, November Feeder Cattle +\$4.07, January +\$1.85, December Lean Hogs -\$0.65, February -\$1.02.

Cattle slaughter from Friday estimated at 109,000 head, down 3,000 from a week ago but up 13,000 compared to a year ago. For the week, 606,000 head, down 10,000 compared to the week previous but up 42,000 compared to a year ago.

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Beef production at 509.3 million pounds last week vs. 515.6 the week previous and 475.7 million last year.

Year to Date cattle slaughter is 5% larger than 2015 or over 1.2 million head. Producers have started culling cows this year and are removing 10,000 head of cows and bulls more per week than fall 2015. Coupled with much larger fed cattle harvest due to packer margins being extremely lucrative, 9 of the last 11 weeks of beef production have been reported over 500 mil pounds. For the same corresponding time period in 2015, there was not a single week that the beef production was over 492 mil pounds.

Hog slaughter from Friday estimated at 436,000 head, up 33,000 from the week previous and up 4,000 compared to a year ago. For the week, 2,532,000 head, up 131,000 compared to the week previous and up 170,000 compared to year ago.

The hog complex continues at a torrid pace by harvesting an all-time record high last week due to exceptional profits. Packers have even been paying the overtime to run on Sunday's just to try and get through the glut of hogs in the Midwest. This week an estimated 1.046 billion pounds of weekly red meat production would also be the highest weekly total on record for that category. As reported a couple of weeks ago, total red meat supplies in cold storage were a record high for the month of September, since the data was first recorded in 1946. Coupled with the largest cattle and hog harvests in many years in the month of October, cold storage stocks should be expected to increase on the next report as consumers still want meat prices to come down more. The meat retailers' margins have been higher recently after this past years historically high prices and with lower wholesale prices, they are trying to recoup margin lost in the last year.

Boxed beef cutout values steady on Choice and lower on Select on light to moderate demand and offerings for a total of 102 loads sold.

Choice Cutout__188.70 -.04

Select Cutout__173.03 -.84

Feeder Index:__126.03 +.06

Lean Index.__51.09 -.34

Pork carcass cutout__73.34 -.07

IA-S.MN direct avg__42.87 -.54

National Average__42.68 -.49

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December live cattle filled the gap at \$103 on Friday with another looming down near the \$100 mark. This long term lower trend or channel is still in place with resistance at last week's high of \$106. November feeders have resistance up at last week's high at \$127.35 with support at \$120.80. The sharp downtrend from mid-August was broke a couple weeks back but a test of support could lead to a test of the contract lows down at \$115. December lean hogs pushed up to the 50-day moving average last week hitting resistance in the \$48 area with support around \$44.

Grains moved lower to start last week and stabilized heading into the weekend. Support levels in soybeans were breached but corn prices were able to hold theirs. Export demand remains very strong for both helping to support prices. This week USDA will estimate the fall crop size again with most looking for higher soybean yields and steady to slightly lower corn yields. And of course before that, Election Day is Tuesday, so please remember to cast your vote tomorrow.

The October or Fall insurance prices were set last week at \$3.49 for corn and \$9.75 for beans. This compares to spring prices on corn of \$3.86 and \$8.85 on beans. This implies corn yields would have to be 10% below trend to start to get an indemnity payment. Bean prices along with the high yields make it very unlikely anyone will see payments there.

For the week, Friday October 28th to Friday November 4th, December Corn $-.06\frac{1}{4}$, March $-.05\frac{3}{4}$, January Soybeans $-.21\frac{1}{4}$, March $-.21\frac{1}{4}$, December KC Wheat $-.00\frac{1}{4}$, March $-.00\frac{1}{2}$, December Chicago Wheat $+.05\frac{3}{4}$, March $+.03\frac{3}{4}$.

Overnight, grains were mostly higher with soybeans leading the charge on good demand and outside markets supporting as well. Soybeans finished 7 to 9 higher, wheat steady to 1 higher and corn steady to 1 lower.

USDA announced the following private export sales this morning...

172,000 MT or 6.8 MBU corn for unknown destinations

132,000 MT or 4.85 MBU soybeans to China

135,000 MT of soybean meal to the Philippines

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Crop progress later today should show corn harvest 80% to 85% complete compared to 75% last week and 91% last year. Soybean harvest is expected to be 90% to 95% complete vs. 87% last week and 94% last year.

The average trade estimates for Wednesday's crop report have corn yield at 173.2 BPA vs. 173.4 in October and soybean yield at 52.0 BPA vs. 51.4 in October.

There is a little rain and drizzle through the Plains today with temps mild here and throughout the Midwest. No big rain events expected throughout this next week but there is 1-2 inches forecasted through the Southern Plains through Wednesday. The 6-10 day runs from last night continue to show normal to above normal temps with below normal now on the East Coast and below normal precipitation for all.

December corn trying to hold the \$3.45 to \$3.50 support range last week and again to start this week. Resistance tested last week as well up near \$3.59. January soybeans in the upper half of its rangebound trade over the past 3 months with resistance at \$10 and the first line of support at \$9.83. Dec MPLS wheat off \$.30 from its highs last month as the rally there has helped keep KC and Chicago from making new contract lows. Both KC and Chicago wheat though chopping sideways the past couple weeks.

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