



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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

www.loewenassociates.com

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Cattle complex trade is still solidly in the mode of not making much sense. We had higher cash trade last week, but a couple of significant down futures days following the higher cash. Two days ago futures shot actively higher and then they ran out of gas again yesterday. Even though we have questioned how far cash had rallied since the October lows, along with a strong feeling that the market had rallied too much given competing meat fundamentals, there didn't seem to be much merit in active futures selling with so much positive momentum in the cash market indicators.

The best guess this week is futures will end up pulling cash lower, which really isn't the way the market is supposed to work. Packers are trying to use the lower board for leverage with lower bids, while feedlot offerings are very close to last week's levels. Fed Cattle Exchange trade yesterday included a lot of no-sales and the stuff that did trade was lower than last week.

In the hog trade, pork packers are still enjoying huge positive margins, but it appears total available numbers are slipping a little bit. That has created a surge in cash that has pushed prices up about \$10 in the last 30 days. At the same time, pork cutouts have come up about \$2. Yes, packer margins are still very large, just not as big as the record levels from 30-60 days ago.

Cattle slg. ___ 116,000 unch wa +5k ya

Choice Cutout ___ 188.94 -1.57

Select Cutout ___ 171.72 -1.51

Feeder Index: ___ 131.40 +.33

Lean Index. ___ 51.95 +.92

Pork cutout ___ 75.13 +.62

IA-S.MN direct avg ___ 52.01 +1.81

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Hog slg. ___440,000 -1k wa unch ya

Grain and oilseed trade saw the continuation of the soybean rally with two big flash sales in the 8a.m. reporting yesterday morning helping secure a higher close once again. Wheat and corn ignored the soybean buying and slipped to mild losses by the finish.

There were a several different sources putting out South American crop production estimates yesterday. Brazil's Conab estimated soybean production at 102.4 mmt's up 7% from last year. The USDA Ag Attache' estimated Brazil's beans at 101 mmt's. Lanworth also put out estimates with Brazil beans at 106 mmt's and corn at 87.5 mmt's. Their Argentina production guesses were 55.3 mmt's beans and 30.4 mmt's corn. All of those guesses are higher than this past year's crop numbers.

Adding a little frustration to the corn market trade, Trump's pick for the head of EPA was the Attorney General from Oklahoma. There's some corn and to some extent soybean market worry in that pick coming from an oil and gas friendly state that it won't be very favorable for the renewable fuels industry.

6-10's last night showed much below normal temps in the Northern Plains and Corn Belt and below normal all the way to a line just south of the Red River on the Texas/Oklahoma border. Precip chances were above normal from Nebraska north and east, an average of normal across Kansas and below normal south of that line.

Weekly export sales data was bullish corn and soybeans, neutral to a little friendly in wheat and bearish milo. Milo sales were a net negative 400,000 bushels. Corn was 58.9 mln, along with soybeans at 53.7 mln bushels. Wheat sales of 18.5 mln were below the 20 mln mark I'd like to see, but I still wouldn't consider that total as bad. Milo has me very worried from a basis and supply standpoint. Cumulative sales are below last year by 78 mln bushels and shipments are only 38% of the total commitments so far. That's going to create a struggle for milo basis to make any improvement from the already bad levels being posted at most interior US locations.

Tomorrow morning's USDA S&D report has ending stocks estimates from this year's crops looking for slight reductions in soybean and wheat ending stocks, but a slight increase in corn. I'm still confident when the January final yield estimates are released the soybean yield will increase enough to push ending stocks solidly over 500 mln bushels. Basically that translates into desperately needing to maintain current export pace and shipment numbers to avoid hammering the bean market to the downside.

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8 a.m. export reporting showed 332k mt's of US beans sold to South Korea and another 136k mt's sold to unknown destination.

Pete Loewen

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