



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Slow day for the meat complex on Monday with red ink on all the quotes except for the front two months in live cattle. Losses were only mild, but the trade was lower nonetheless.

Coming up this Friday we get monthly COF numbers and then on Monday, the Annual Cattle Inventory report. In addition to that data, this afternoon the monthly Cold Storage report is released. Cattle on Feed estimates show a mixed bag of news potential. Total cattle on feed has a chance at being the lowest count at the bunkline since the new data series began in 1996. At the same time, placements should show in-movement close to 10% larger than a year ago.

The range of guesses for the January 1 On Feed total are from 98.4% to 99.6% of a year ago. December Marketings are projected from 104.8% up to 108.7% of last year. Plus, one less business day in December versus 2015 means that marketing total will be closer to 10% larger if the actual total comes in close to the 106.8% midpoint of the range. Placements last month have a range of estimates from 103.5%, up to 113.6% of a year ago. Aggressive marketings at the feedlot level through fall and winter so far have tamed the bear-side.

It's been a big relief that with massive pork, poultry and beef production totals from late fall that futures have been able to rally substantially off the October lows. Ironically, that rally started when some of the biggest production totals were hitting the market as well, lending obvious credibility to the old adage "when things look the absolute worst, that's often times when markets turn higher."

Cattle slg.____ 115,000 +46k wa +4k ya
Choice Cutout__191.77 +1.35
Select Cutout__186.83 +.19
Feeder Index:___n/a
Lean Index.___ 67.03 +.02
Pork cutout___79.38 -.33
IA-S.MN direct avg__63.83 +.13
Hog slg.____440,000 +125k wa +10k ya

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Grain and oilseed trade found a moderate pullback in front end soybean futures, a flat corn market close and mildly higher wheat. Export inspections data was bullish for corn and soybeans, but bearish wheat. That data obviously was no help for soybean trade. Corn weekly inspections were 37.9 mln bushels. Soybean inspections were 47.4 mln. Wheat export inspections were 10.1 mln bushels. Marketing year to date wheat inspections are up 26% from a year ago, which is right at the USDA projection for this year's total tally in a marketing year that ends on the last day of May.

You might wonder why I'm always so pessimistic and bearish about wheat exports when they are meeting USDA's projection AND are higher than year ago totals by quite a bit?? The reasoning- even with USDA forecasting that 26% increase for a yearly projection of 975 mln bushels of wheat exports compared to 775 mln a year ago, ending stocks are still pegged at 1.186 bln bushels and stocks to use is 53.3%. Those are massive supply and very bearish stocks to use numbers! We need much bigger than 10.1 mln weekly inspections and low double digit weekly export sales. We need to see consistent 20 mln bushel sales and inspection numbers, so that there's a chance the ending stocks total will be closer to 1 bln or below. Even 900 mln bushels of wheat ending stocks would be bearish. If you want to get even moderately friendly, you have to see stocks in that 800 mln or below range. Hit 600 mln and it's bullish. We're double that right now...

6-10's last night showed below normal temps again for the deep south. Normal to above through the Central, North Plains and Corn Belt. Precip was below normal everywhere except the far north.

8 a.m. export reporting showed three large flash sales this morning. 125k mt's of US corn was sold to unknown destination. 112k tonnes of US soybeans were sold to Mexico with 42k of that total in this marketing year and the balance of 70k in the next marketing year. There was also a 163k mt sale of US soybeans to unknown destination with 103k tonnes of that in this marketing year and 60k in the 2017/2018 marketing year.

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