



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Date: January 25, 2017

Cattle complex futures settled mildly lower yesterday in most contract months and the hogs were mildly higher in all but one contract.

Cold storage numbers came out after the close and in a general sense were bearish beef and bullish hogs. These numbers represent cold storage stocks for the end of December 2016. Total frozen poultry supplies were up 6% from the previous month and up 2% from last year with chicken stocks specifically down 6% from last year. Total red meat was up 1% from the previous month and down 2% from a year ago. Total beef in freezers was up 7% from November and 11% higher than a year ago. Frozen pork supplies were down 8% month to month and down 13% from last year. The big shock number was pork bellies down 67% from a year ago and record low since the data series began. Record high stocks totals were posted for; beef, chicken breasts and breast meat, thigh meat, along with total frozen vegetables and total frozen fruit.

Building beef stockpiles and shrinking pork are quite the divergence when both markets had massive production totals this fall and into early winter. The good thing is, both markets also have been in a nice, steady uptrend since October and for beef that uptrend has been happening in conjunction with record supplies in the freezer.

On Friday we get monthly COF data released. 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. 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.

Cattle slg. ___ 111,000 unch wa -1k ya
Choice Cutout ___ 191.74 -.03
Select Cutout ___ 188.17 +1.34
Feeder Index: ___ 133.28 -.18
Lean Index. ___ 67.23 +.18

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Pork cutout___81.44 +2.06
IA-S.MN direct avg__63.76 -.07
Hog slg.___428,000 unch wa -10k ya

In the grain and oilseed trade, it was a very disappointing day for the corn market. The closes were mildly higher beans and only mildly lower wheat and corn. However, both old and new crop corn futures posted new recent highs between the Monday night and Tuesday action and then reversed lower, taking out the previous day's low. That left a big, bearish key reversal lower on the charts. Very important in my opinion that the high from that reversal is taken out in coming days to nullify it on the charts. Funds sold an estimated 13000 corn yesterday. It's going to take them staying away from the sell button to bring things back.

6-10's last night showed above normal temps for all of wheat country and a big portion of the Corn Belt. The NW and SE US were below normal temps. Precip was below normal everywhere except the far North Plains, stretching west to the Coast.

South American weather talk has calmed down a little recently. The focus on the drive higher in futures was the excessive wet conditions in Argentina potentially trimming production. Brazil conditions are favorable though with increased production possibilities there. That realization helped stall the rally some. Beans haven't lost much ground on the charts, but two weeks ago they were on a rampage higher.

Yesterday, Informa released their newly updated US planted acreage projections. They put US soybean acreage at 88.6 mln, up from 83.4 mln last year and slightly below their December estimate. Their corn acre number was 90.5 mln acres, up slightly from December, but down sharply from this past year's 94 mln acres of corn planted. They also forecast spring wheat acres at 11.2 mln, cown 391,000 acres and durum wheat down 355,000 from a year ago. Cotton was slated for a 6.7% increase in planted acres and milo down 5.1%.

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