



**Loewen and Associates, Inc.**

**Commodity Consulting/Brokerage**

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Hogs responded to bullish pork cold storage numbers from Tuesday afternoon with \$2+ gains on the front two contract months. Beef cold storage numbers were record large for the month of December, yet the cattle managed to close mildly higher on the front two months of the fats, but mildly lower on all the rest, plus lower on all the feeder contracts. That cold storage data showed poultry stocks increasing 6% from November and up 2% from last year. Pork stocks were down 8% for the month and 13% lower than last year. Total beef in freezers was up 7% from the previous month and up 11% from the previous year. That was a record high for December cold storage of beef and on the pork side, a record low for frozen belly supplies.

Despite the stockpiles of beef, packers continue to chase numbers and the leverage is solidly in the feedlot's hands. Of course, that leverage aided by an active marketing pace over the last several months keeping numbers available to those processors fairly tight. Plus, the weather over the last two weeks has not been conducive to good feeding performance. Fed Cattle Exchange internet feedlot trade was sharply higher than last week, but oddly appeared to have very little influence on the live cattle futures action. That internet trade had a weighted average price a week ago of around \$120.52 if I remember correctly. Yesterday's weighted average was \$121.98 with a peak of \$124 paid for Southern Plains cattle. That's great news for the remainder of the trade because normally we'll see another \$1-\$2 added later in the week. That's been the trend anyway, but that may be a tall order this week with spot Feb futures still closing below the \$120 mark yesterday.

Beef and pork weekly export sales numbers were very good this morning. Net beef sales were 21,800 mt's and pork at 36,200 mt's.

Cattle slg.\_\_\_\_ 112,000 -3k wa +2k ya

Choice Cutout\_\_191.25 -.49

Select Cutout\_\_189.16 +.99

Feeder Index:\_\_\_133.32 +.04

Lean Index.\_\_\_\_ 67.76 +.53

Pork cutout\_\_\_82.40 +.96

IA-S.MN direct avg\_\_63.90 +.14

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Hog slg.\_\_\_\_436,000 -4k wa -2k ya

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Grain and oilseed markets settled mildly lower in wheat and soybeans and a little higher in corn. Coming off of a big, bearish key reversal on the charts from Tuesday, corn's ability to finish on the plus side was impressive. It spent quite a bit of time at lower money yesterday before rallying some into the close. It's very important in the near term that new highs are forged pretty soon to nullify that reversal though and keep the speculative sellers quiet. News flow in the grains was very slow, so there weren't any prevalent drivers in the action.

Export sales numbers this morning very good in everything across the board in my opinion, except in milo. Milo sales were 3 mln bushels, which brought the marketing year to date commitments up to 125 mln, which is 100 mln shy of last year at the same time. Very bearish to milo. Corn on the other hand was a strong 54 mln old crop and 800k new.

Soybean sales were 19.8 mln bushels of old crop and 4.6 mln new. Those soybean sales were down 45% from last week and 10% below the 4 week average, but this is also the time of year when bean sales start to slide as South American product being harvested moves into an exportable position. Unfortunately, for February and beyond, US soybean export values are currently higher than Southern Hemisphere numbers. Translation- weekly sales will continue to slide unless we become more competitive with those deferred month offers. That's the bad news. The good news is, we're still well ahead of the pace needed to meet USDA's projection for the year.

In wheat the sales number was outstanding this morning at 31.4 mln bushels of old crop and 3.8 mln new. With 20 mln being my magic bullish number, this 31.4 beats it handily and also hits a new marketing year high. The dilemma for wheat this week was export shipments on Monday morning only being 10.1 mln bushels. Big difference between a commitment and an actual boat or train loaded leaving the country making it a shipment. Regardless, I don't want to steal wheat's thunder today. The sales number was bullish!!

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