



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

Last week there was a lack of support for beef values, although not that unexpected after the New Year rolled in. Also a sluggish cash fed market with \$118 live the highest price paid last week which was steady with a week ago and \$188 dressed which was \$2 lower could lead to further pressure this week.

South Korea has lifted the ban on US shell egg imports as that country continues to wrestle with avian flu outbreak causing huge cull of chickens. Over 30 mil birds have been killed. Human flu cases reported in China have grown to 40.

NATIONAL FEEDER & STOCKER CATTLE SUMMARY – W/E 01/06/2017

RECEIPTS:	Auctions	Direct	Video/Internet	Total
This Week	211,700	44,100	2,500	258,300
Last Week	14,500	10,700	0	25,200
Last Year	250,800	55,400	3,200	309,400

Feeder cattle marketing was brisk the first week in 2017 which in most cases auctions had been closed for the last two to three weeks. Feeder cattle prices have been playing catch up as excitement and generous bids by packers over the Holiday break have moved forward rather rapidly and feeders have followed suit. Most feeder cattle auctions are trading 3.00 to 6.00 higher, with instances 10.00 to 12.00 higher when compared to their last full non-holiday week ending December 23rd. Feeder cattle prices have kicked-off the New Year with much optimism as the two week break provided an opportunity for fed and feeder cattle to regroup and find its legs and market psychology has gained some drive. Exceptional quality coming through the sale rings and buyers were more than ready to get back to business after a long break. Most cattle were long time weaned with a vaccination history, carrying some flesh but in this cold weather not enough to slow down the bidding much. It sure was hotter inside the sales arena than outside in the Plains states this week as bitter wind chills were registered throughout much of the country. Reports of snow fall in the North Plains up to a foot in several

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areas, as well as 2 inches or more reported in the TX Panhandle. Packers still appear to be recovering from being in an apparent short bought position the past couple weeks as fed cattle traded steady with last week at mostly 118.00 on the live side compared to 134.00-136.00 from a year ago. Choice boxed beef has dropped over 4.00 the past couple of days to close at 198.81 this week. It appears that retailers came to the table over holidays to replenish their inventories. Hopefully the New Year will be less volatile and have more stability, as the cattle markets will make and find adjustments to provide a good starting point for 2017. Auction volume this week included 60 percent weighing over 600 lbs and 38 percent heifers.

For the week, Friday December 30th to Friday January 6th, February Live Cattle - \$1.22, April -\$0.37, January Feeder Cattle -\$2.12, March -\$1.30, February Lean Hogs -\$2.17, April +\$0.12.

Cattle slaughter from Friday estimated at 114,000 head, down 1,000 from a week ago but up 11,000 compared to a year ago. For the week, 468,000 head, down 1,000 compared to the week previous and down 60,000 compared to a year ago.

Hog slaughter from Friday estimated at 432,000 head, down 7,000 from the week previous and down 1,000 compared to a year ago. For the week, 1,752,000 head, down 21,000 compared to the week previous and down 428,000 compared to a year ago.

Boxed beef cutout values sharply lower on Choice and steady on Select on light to moderate demand and offerings for a total of 104 loads sold.

Choice Cutout__198.81 -2.74, -4.52 for the week

Select Cutout__193.22 -.17, +.38 for the week

CME Feeder Index:__133.31 +.24

CME Lean Hog Index.__57.69 +.08

Pork carcass cutout__79.01 -.56, -2.76 for the week

IA-S.MN direct avg__56.34 +.46

National average__55.21 +.36

Feb live cattle are breaking out of 3 month long uptrend channel. Breaking the \$114 support could end up seeing a deeper correction down to \$111, which is where the 200-day and 45-day moving averages are converging. \$111 would also

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be a 32% retracement of the October-December rally. And keeping a normal \$2-\$3 basis in January that would mean a \$113 cash fat cattle market, which isn't out of the realm of possibilities. January feeders also appear to be breaking lower with support down at \$125. February lean hogs are chopping sideways here over the past few weeks from \$62 to \$67 with the \$70 summer high still the target for a full retracement.

Over in the grains, here's something we haven't said in a while...Wheat was the leader higher for the week! On Friday, USDA announced a surprise sale of 3.7 MBU of wheat sold for unknown destinations. Crop conditions reported by each state continue to show wheat conditions deteriorating especially here in the Southern Plains. Is this enough to be bullish wheat...NO not yet, but a little premium and getting off the lows was way overdue. Weekly export sales reported last week for very disappointing for soybeans and led to the collapse there. China interest in US beans has slowed but there are reports of several cargos over the weekend.

March Corn -3 ¼ @ 358, New Crop December -3 @ 385 ½
March Soybeans -17 ¾ @ 994 ¾, New Crop November -13 ¾ @ 982 ½
March KC Wheat -1 @ 433 ½, New Crop July -½ @ 456 ½
March Chicago Wheat -3 @ 423 ¼, New Crop July -1 @ 448 ¼

Overnight, grains a little firmer with wheat 2 to 3 higher, soybeans 2 higher and corn steady to 1 higher.

USDA announced 4.4 MBU of HRW sold for unknown destinations this morning along with 4.4 MBU of corn.

Thursday is the massive grain report day with US Quarterly Stocks, US Final Fall Crop Production, Updated South American production estimates as well as US and World balance sheet updates.

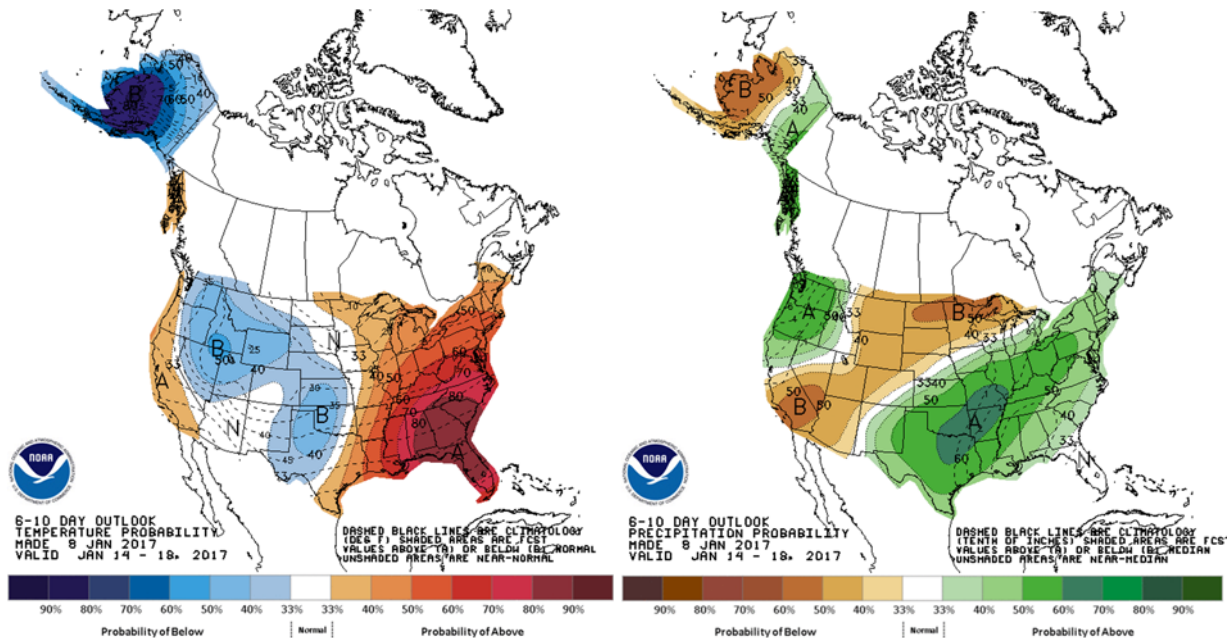
March corn has been able to get back to the upper half of the 3 month long trading range but still holding the slow downtrend from mid-October. \$3.63 and then \$3.69 would need to be taken out for buyers to get excited again. March soybeans have been in a downtrend since mid-December and continue to dip below the \$10 mark. Support is building at \$9.93 with additional at \$9.85. March KC wheat took

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out the December high and resistance at \$4.20 with the next resistance level up at \$4.45. March Chicago wheat also breaking through with the same \$4.45 resistance from mid-October.

Frigid temps linger one more night in the north and east before warming back to normal for the balance of the week. The northern plains stay cold. Precipitation is heavy over the PNW for the next three days. There is a system that sets into the NE midweek but will be mostly rain. The next storm for the SE also starts late in the week but will be mostly rain. The 6 to 10 day maps have normal to below normal temps for the western half of the country while the east is above normal. Precipitation is below normal for the northern plains and west but is normal to above normal for the southern plains and the eastern half of the country.



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