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Date: February 1st, 2017

Morning Ag Markets

Matt Hines

Cattle markets opened higher but were under pressure for most of yesterday still trying to find some new buying enthusiasm after the two bearish reports last week. The third came out yesterday after the close, the semi-annual cattle inventory report. Confirmation of greater herd expansion could weigh heavily upon feeder prices as feedlots lean into greater calf and yearling numbers in search of more attractive feeding margins. Many had expected the numbers to reflect the fact the rebuilding would be short lived and might be over. The national cattle inventory showed increases in almost all levels of measurement but more importantly showed beef heifers held for breeding at 101% when most guesses were for that number to drop to 99%. All cattle and calves were 102% of prior year compared to pre-release guesses of 101%. Beef cows with calves were 103% compared to the pre report average estimate of 101%.

Hogs were triple-digit higher yesterday thanks to improving fundamentals, technical buying, and bull spreading. The nearby February contract has now jumped ahead of the cash index for the first time in months. The carcass value is sharply higher along with all cuts and bellies screaming higher after the cold storage massive reduction reported last week.

Cattle slaughter from Tuesday estimated at 113,000 head, up 2,000 from last week and up 35,000 compared to a year ago.

Hog slaughter from Tuesday estimated at 440,000 head, up 12,000 from last week and up 129,000 compared to a year ago.

Boxed beef cutout values steady to weak on light to moderate demand and light offerings for a total of 113 loads sold.
Choice Cutout__192.87 -.48
Select Cutout__188.93 unchanged

CME Feeder Index:__130.29 -.91
CME Lean Hog Index.__65.89 -2.55
Pork carcass cutout__84.27 +.79
IA-S.MN direct avg__66.57 +1.38
National average__65.58 +1.63

Feb live cattle gapped lower Monday which could have now broke the higher trend we have seen since mid-October. The next area of support is at $114 with resistance up at $117. March feeders also gapped lower to start the week then pushed below the $123 support levels for new lows here this month. The next level of support is down at $120. February lean hogs shot to new highs yesterday now looking to take out the $70 resistance and make new contract highs.
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Tuesday was a quiet day of trading in grains, capped off by a late spurt of commercial buying in Chicago wheat. Even though there was not much grain news, Tuesday's lower U.S. dollar helped commodity markets in general and may have contributed to the late buying in wheat. Better rain forecasts for the dry areas of Argentina at the end of the week eased weather concerns. Wet weather is expected to slow early harvest in Brazil, and could cause some additional quality issues with the export program starting to gather steam. The vessel lineup is at twice that of a year ago with port schedules suggesting 4.4 MMT or over 161 MBU to be shipped from February through March. The Brazilian Real continues to rally which is slowing farmer selling. We have shed $.60 from soybean futures here in the past couple weeks while corn is only a dime lower. It was dull trading day for corn but buyers continue to be in place supporting the market and funds continue to add to the new long positions.

Overnight, grains were steady to lower with nearby soybeans down 2, new crop steady, corn down 1 and wheat 2 to 4 lower.

USDA announced a private sale of 236,700 MT or 8.7 MBU of soybean sold for unknown destinations. 6.3 MBU is for the current marketing year and 2.4 MBU were sold for new crop.

The latest 6-10 day runs continue to show above normal temps for all except the Northern Plains. Precipitation is below normal for the Southwest and above normal from the PNW, across the North and covering the Eastern half of the US now.

March corn was not able to gain traction last week after hitting a new 6-month high. Resistance is at $3.70 with support at the 100-day moving average of $3.55. The 100-day moving average for March soybeans is down at $10.10 ½, which will be the next level of support, followed by the January lows at $9.93. March KC wheat trying to hold the support area at $4.24, both the 50-day and 100-day moving averages are there. We have pulled back $.25 off the January highs now and would need to push back above $4.40 to get more buyers to jump back in. March Chicago wheat has not pulled back that far and so far this month, has traded roughly a $.25 range.

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