



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Date: March 7, 2017

Fairly quiet finish to start the week in the meat complex. Hogs closed mildly higher. Live and feeder cattle futures settled mildly lower. Coming off of a week where cash and product trade was very friendly to the fundamentals, not getting a better start, particularly in the live cattle market where big discounts still exist relative to cash was disappointing.

Negotiated cash feedlot trade last week had a \$125 top in the Southern Plains of Kansas and Texas. Nebraska topped out at \$126 live and \$200 dressed. \$125 left a \$9 gap between cash and futures, which is unusually large for early March, but at the same time it isn't really that alarming. There's a lot of time before first notice day for deliveries and a lot of different things can happen between now and then to narrow up that discrepancy. Plus, for anyone hedged and selling fats, it's a great basis trade.

Regarding the strong gains in the product market, the choice cutout quote has been higher 12 out of the last 13 business days. 9 of the 12 higher quotes have been triple digit gains, with 4 of those more than \$2 higher in a day. In my opinion, this jump is unprecedented, and quite possibly could be detrimental to the market as well. \$21.26 higher in 13 business days, happening in late Feb and early March, which typically aren't good beef demand months could easily become a demand killer that leads to consumer buying moving back heavily into pork and poultry again. What I'm getting at is- beef packers can raise prices, but that doesn't mean they will sell much at the higher prices. That's basic supply and demand analysis. Beef price goes up, prices of pork and poultry remain much cheaper, demand increases for those other competing meats and beef demand drops and it creates a backlog of beef product in the system. I'm guessing we'll get confirmation of that towards the end of the month with the Cold Storage report. The last two month's Cold Storage reports have shown record beef supplies in the freezers already. We don't need that for a third month.

Cattle slg. ___ 114,000 -2k wa +9k ya

Choice Cutout __209.60 +1.53

Select Cutout __203.96 -.09

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Feeder Index:___126.86 +.17

Lean Index.__72.92 -.46

Pork cutout___82.53 +1.90

IA-S.MN direct avg__68.10 -.02

Hog slg.___443,000 +2k wa +9k ya

Grain and oilseed trade had a fairly quiet finish yesterday as well with fall crop markets under mild pressure and wheat mildly higher. Persistent dryness in the High Plains, heavy winds moving a LOT of dirt over the last couple of days and wheat breaking dormancy and getting way too much heat too early are stressing production potential. At the same time, that increases price rally potential. The limiting factor for BIG rally potential however, is the giant oversupply of wheat in the world, as well as our domestic stockpiles. That doesn't mean the market can't rally, but it does tame down the perceived bullishness of these production issues.

Export inspections yesterday morning were very good for corn and beans, neutral wheat and terrible in milo. Milo export loadings were 2.2 mln bushels, which is less than half what it was the week prior and right at half what it was last year at the same time. Wheat inspections were 19.7 mln bushels, just barely below that 20 mln mark I like to see and also why I'm only calling it neutral. For the marketing year to date in wheat, export inspections are up 28% from a year ago. That should sound good, but USDA has a 32% increase plugging into the S&D's. We're obviously not meeting that projection. Corn inspections were 56.9 mln bushels. Soybean inspections were 36.3 mln bushels. Both of those commodities have shipments for the year that are well above what USDA has plugging into the S&D's. That's good news for reduction potential in old crop corn and bean balance sheets. Bad news for increase potential in the wheat and milo balance sheets.

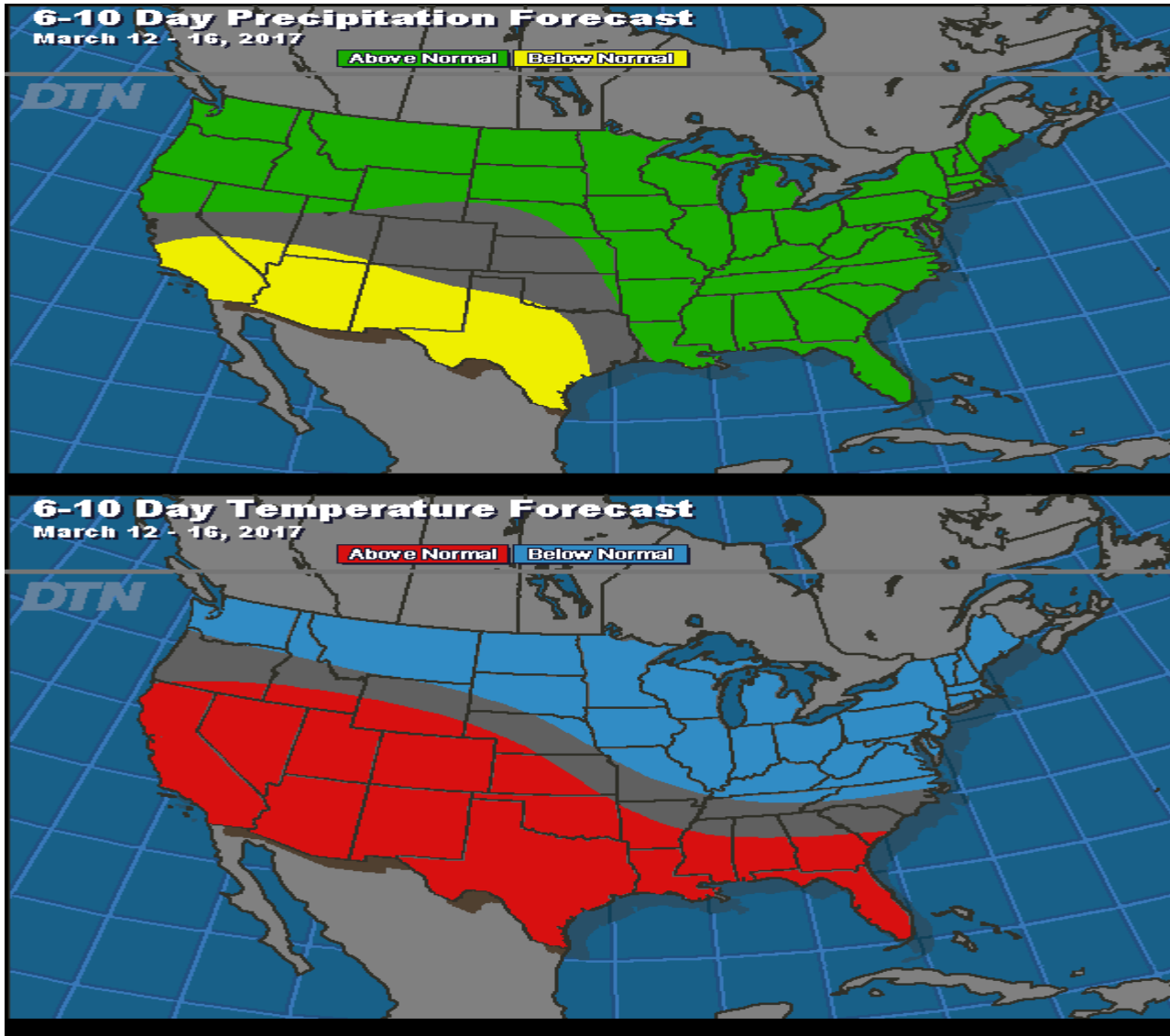
Thursday morning is the next USDA and WASD S&D reports. We'll talk about the pre-report estimates for US numbers tomorrow. World corn and soybean stocks have increasing potential of getting bigger with this report release, with the increase coming from South American production. Brazil analyst AgRural pegged their bean crop at 107 mmt's yesterday, up from 105.4 last month. Another Brazil analyst has their bean crop at 109.6 mmt's up from 105 last month. USDA had Brazil at 104 mmt's in the February report. One Brazil corn production estimate from yesterday was 97.7 mmt's. USDA had Brazil corn at 86.5 mmt's last month.

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6-10 day weather forecasts took a major turn for the Corn Belt last night. Central and southern High Plains areas and all southern areas were still above normal on temps. The Northern Plains and Corn Belt were all below normal on temps. Precip was below normal in the far Southern Plains and normal to above through the Central and Northern Plains, along with the Corn Belt.

8 a.m. export reporting showed 120k mt's of corn sold to unknown destination.



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