



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

Livestock futures were mixed, trading both sides of unchanged but cattle futures spent most of the day in the red. Beef prices higher again with Choice up \$2.40 to \$212, up \$8.67 from the beginning of the year, but up \$24.37 from the low back on Feb 10th. The overall outlook continues to focus on strong domestic support for beef through the summer months but we have current stocks in the freezers.

Fed Cattle Exchange at 10 am today – 3,413 head consigned, last week 4,813 head of which 2,855 sold at a wtd avg of \$124.99

Oklahoma National Stockyards - Oklahoma City, OK - Close

Feeder Cattle Auction Report for 03/06/2017

Actual Receipts: 8,069 Last Week: 7,529 Year ago: 10,083

Compared to last week: Feeder steers and heifers steady to 3.00 higher, except 800 weight heifers 1.00 lower. Steer calves steady to 5.00 higher, except 600 weight calves 1.00-3.00 lower. Heifer calves 2.00-3.00 higher on a limited test. Quality plain thru attractive. Demand moderate to good.

Tulsa Livestock Auction - Tulsa, Oklahoma

Feeder Cattle Weighted Average Report for 03/06/2017

Receipts: 2279 Last Week: 1908 Year Ago: 2501

Compared to last week: Steers 3.00-4.00 Higher. Heifers 5.00-7.00 higher. Demand good. Quality good. Supply includes 33 percent over 600 lbs. and 42 percent heifers. Slaughter cows 2.00-3.00 lower. Slaughter bulls 1.00 lower.

Avian Flu Update – WI, H5N2, 84K turkey farm, less virulent strain than the H7 reported in TN on Monday, China – H7N9 - over 400 humans infected this winter, approximately 25% mortality rate, worst outbreak since the first reported human infection in 2013

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Cattle slaughter from Tuesday is estimated at 115,000 head, matching last week's total and up 5,000 compared to a year ago.

Hog slaughter from Tuesday is estimated at 443,000 head, up 1,000 from the week previous and up 7,000 compared to a year ago.

Boxed beef cutout values higher to sharply higher on moderate to fairly good demand and moderate offerings for a total of 141 loads sold.

Choice Cutout__212.00 +2.40
Select Cutout__205.05 +1.09
CME Feeder Index:__126.97 +.11
CME Lean Hog Index.__72.69 -.23
Pork carcass cutout__81.71 -.82
IA-S.MN direct avg__68.07 -.03
National average__67.38 +.06

April live cattle filled the gap from late January and touched as high as \$119 last week before pulling back lower to find support at the 20-day moving average. The 20-day moving average is at \$115.20 today and prices dipped below it yesterday but were able to close above that line. Closing below that support level could easily lead to a test of the February lows at \$113. April feeders have spiked lower 4 times over this past month down to a range from \$121.30 to \$120.62 which matches up with support from the 100-day moving average. Resistance is up in the area from \$125 to \$126. April lean hogs broke the higher trend we have had since October with very price volatile days recently. \$65 is the next area of support with resistance up near \$70.

Brazil soybean production estimates all higher heading into tomorrow's USDA report. Current USDA number is at 104 MMT, Brazil's CONAB at 105.5 MMT and most private estimates now from 105 to 109 MMT, and all higher than their previous estimates by 2-4 MMT. Meal continues to struggle with weak cash demand and the 2 bird flu announcements here in the US.

Corn maintained its defensive posture for a second day, ultimately finishing the day a couple cents lower. While the market once again finished well off the days' lows, we also never seriously threatened to mount a substantial intraday rally effort.

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Trade across the wheat complex was unable to hold their overnight gains, with prices selling off sharply once the day session began and spending the rest of the day trying to recoup those early losses. Three cargoes of wheat being shipped to Egypt was held up at their point of origin after being rejected, and Russian weather officials suggested that their crop is in great shape as they start to come out of winter. Here in the US, the dry and very windy conditions across the southwestern hard wheat belt, and maturation of crop development where some areas are at much as three weeks ahead of normal are still a topic of discussion, but this weather premium looks to be already priced in the market. KS wheat conditions 43% G/E, unchanged, 22% P/VP +1%, nationwide reports not out for another month

Overnight, grains were steady to lower with corn finishing 1 lower, soybeans 2 to 3 lower, KC wheat steady to 1 lower and Chicago wheat 2 to 3 lower.

China released February trade data last night with a real mixed bag as exports dropped much more than expected while imports surged more than expected. Feb exports were down 1.3% y/y vs. expectations of +14.1%, while imports were up 38.1% vs. expectations for +21.0%. China posted a trade deficit of -\$9.15 billion vs. estimates of a trade surplus of \$26.55 billion. The trade deficit was actually the first since 2014 as imports grew after the Lunar Holiday. Crude oil imports were down 0.1% y/y, Soybean imports up 23%, yet volume down 28% from January, Iron Ore imports were up 13%, Coal imports were up 31% and steel product imports were up 17% y/y.

USDA announced a private sale this morning of 122,000 MT of soymeal to the Philippines.

US ending stocks expected to be off slightly with wheat at 1.135 BBU, corn at 2.317 BBU and soybeans 418 MBU. World ending stocks expected to be unchanged on wheat at 248.6 MMT, corn up 1 to 218.5 MMT and soybeans up 1.2 to 81.5 MMT. Average trade estimates for Brazil soybean crop up 2 at 105.95 MMT and Argentina's off .3 at 55.2 MMT. Brazil's combined first and second corn crop expected to be up 1.3 at 87.8 MMT with Argentina left unchanged at 36.5 MMT. It is important to note that the combined first crop Brazil & all crop Argentina corn combined is now roughly the same size as Brazil's second crop.

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Brazil's gov't will update their thoughts on production early Thursday, while the US will update their balance sheets later that morning. March WASDE is typically not a market-mover as the trade tends to place greater importance on the end-of-March stocks and acreage data.

USDA crop report ranges and estimates as compiled by Reuters:

2016-17 Crop Prod in MMT	Argentina		Brazil	
	Corn	Soybean	Corn	Soybean
Average trade estimate	36.46	55.20	87.78	105.95
Highest trade estimate	37.00	56.00	91.50	109.00
Lowest trade estimate	35.00	54.00	86.00	104.00
USDA February	36.50	55.50	86.50	104.00

World Ending Stocks in MMT

	Wheat	Corn	Soybeans
Average trade estimate	248.62	218.51	81.52
Highest trade estimate	250.00	223.10	83.00
Lowest trade estimate	246.00	217.00	80.44
USDA February	248.61	217.56	80.38

US Ending Stocks in BBU

	Wheat	Corn	Soybeans
Average trade estimate	1.135	2.317	0.418
Highest trade estimate	1.164	2.385	0.444
Lowest trade estimate	1.050	2.245	0.400
USDA February	1.139	2.320	0.420

The 6-10 day weather outlook is forecasting above normal temps for the southern 2/3 of the US with below normal in Northern Border States. Precipitation is below normal for the SW and normal to above normal elsewhere with the heaviest amounts forecast for the PNW.

May corn slowly retracing from last week's spike higher now below the 10 & 20 day moving averages. Support at the 50 and 100-day moving average, \$3.71 ½ to \$3.67 ½. Resistance is up at the spikes higher from \$3.85 to \$3.87. The December contract made it to \$4.04 last week with the first close above \$4 since this past June, support around the \$3.90 area. May soybeans still holding the trend higher

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but with much larger steps or ranges from high to low, \$.50 to \$.60 compared to the \$.10 to \$.20 seen in corn futures. We are right at support levels now, \$10.20 to \$10.17 with resistance from \$10.45 to \$10.50. November soybeans also holding the trend higher since this past fall. \$10.05 is the first area of support then the \$10 mark and strong support at \$9.93 and \$9.75. KC wheat trending higher since December with support for the July contract at \$4.67 and resistance at \$4.98. Chicago wheat steady to higher with support from \$4.56 to \$4.52 and resistance around the \$4.80 area.

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