



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

No cash feedlot activity so far this week, beef prices steady to firm and early week salebarn reports indicate higher prices for calf and feeders as volume picked up from last week's low volume due to weather. Futures though were all over the place with \$5+ ranges for live cattle and \$6+ ranges for feeders. After triple digit higher trade in the morning hours, futures reversed to trade limit lower. Fed Cattle Exchange has 1,993 head consigned for today's online auction which will be watched closely but also for any cash trade activity directly following as well.

Cattle slaughter from Tuesday is estimated at 115,000 head, up 1,000 from a week ago and up 2,000 compared to a year ago.

Hog slaughter from Tuesday is estimated at 443,000 head, up 26,000 from a week ago and up 11,000 compared to a year ago.

Boxed beef cutout values steady to firm on light to moderate demand and offerings for a total of 118 loads sold.

Choice Cutout__242.16 +.72

Select Cutout__223.03 +.14

CME Feeder Index:__147.73 -.35

CME Lean Hog Index.__65.98 +1.19

Pork Carcass Cutout__81.02 +2.03

IA-S.MN Wtd Avg Carcass Base__68.33 +1.83

National average Wtd Avg Carcass Base__66.98 +1.96

June live cattle peaked at \$134.55 last week, still over \$4 shy of the April contract high at expiration. We are sitting right at the first support level with strong support down at \$115. May feeders peaked at \$156.75 and showing a key reversal lower now on the weekly charts. We found some support in the mid \$143's with more down at \$140 with support for the fall contracts at \$150. June lean hogs are up \$10

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from the low just 2 weeks ago with support in the \$74 area and testing resistance from \$78 to \$79.

Grains were mixed yesterday with soybeans higher, wheat lower and corn steady to mostly higher. Meal was the leader in the soy complex yesterday pulling soybeans higher. Not much new news so we brace for yet another USDA monthly crop report later this morning. Ending stocks for old crop are not expected to stray too far, this will be the first official look at the 2017/18 balance sheet.

Overnight, grains were mixed to lower most of the night with corn finishing 1 higher, soybeans 1 lower and wheat steady to 2 higher.

No game-changing corn production stats are expected, but it is significant in that it will be the first monthly S&D where the USDA "puts it all together" in the form of a complete 17/18 balance sheet look. As for the old crop, 2016/17 crop year, U.S. corn ending stocks are expected to be little changed, although it would not be a huge surprise to see exports raised and feed usage lower. The first glance at 17/18 domestic corn stocks is expected to show a modest yr/yr reduction, mostly by virtue of starting with trend-line yields and lower yr/yr acreage. World corn stocks for 16/17 are expected just slightly higher from increased estimates of the South American crops.

The avg. trade estimate for US ending stocks in soybeans is 438 MBU vs. 445 MBU last month. This could be a spot where the USDA could tighten up further than trade expectations by increasing exports. World stocks average estimate is at 86.6 MMT for a first look at 17/18 while 16/17 stocks are estimated at 87.5 MMT vs. 87.4 MMT last month. Brazil soybeans are estimated at 111.3 MMT vs. 111.0 last month and Argentine soybeans at 56.2 MMT vs. 56.0 last month.

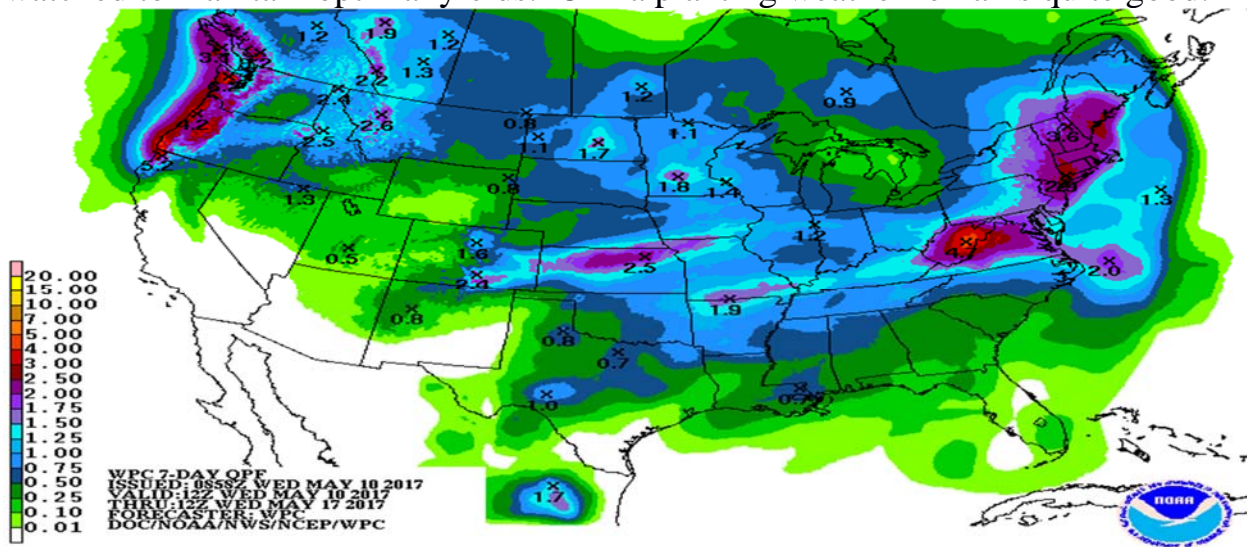
US all wheat production in Wednesday's May USDA crop report expected to be at 1.86 BBU compared to the 2016/17 wheat production at 2.31 BBU. No change expected for the US wheat ending stocks, 1.159 BBU in April. 2017/18 global Wheat ending stockpile estimate at 246.1 MMT, with the 16/17 global wheat ending stockpiles are forecast near unchanged from a month ago just over 252 MMT.

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July corn right in the middle of its 2 month long range bound trade from \$3.60 to \$3.80 with the December contract trading from \$3.78 to \$3.96. July soybeans holding the uptrend since the first of April with support at \$9.60 and resistance at last week's high of \$9.83. The November contract also has support at \$9.60 with last week's high at \$9.73 ³/₄. July KC wheat filled the \$.03 gap from last week. It would need a hard run to push past \$4.70 again and then test the \$4.90 resistance. Support is around \$4.30. July Chicago wheat sitting right at support levels now with the next down at the contract low from just a couple weeks ago at \$4.16.

On the weather front, improved planting progress is possible this weekend into next week when the best drying conditions evolve, but some of the wettest areas will need more time to dry, particularly given chilly temps in the northern Midwest. Over the next 7 days, rains are scattered with 1-2 inches across most major growing areas. 4+ inches is predicted for the PNW and Northeast. The 6-10 day models show mostly normal precipitation for the Plains and below normal for the Corn Belt with temps normal to above normal for the Plains and Eastern half of the U.S. while below normal west of the Rockies. Brazil second season crops are performing well, but some moisture stress has been reported recently in areas Rain events forecast for the coming week in those areas will need to be carefully watched to maintain optimal yields. China planting weather remains quite good.



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