



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

Cattle futures held solid gains Friday, but not enough to get a higher weekly close. Trading volume was sluggish this past week along with volatility especially compared the past few weeks. May feeders only had a \$6+ trading range this past week compared to \$9 to \$12+ the previous 3 weeks.

Cash feedlot trade for Kansas and Texas was \$3 to \$4 lower than the week previous at \$133 to \$134 live. Trade in the North was light at \$133 to \$135 live and \$210 to \$215 on a dressed basis. Again the lower end of the markets range encompasses cattle that deliver 2-4 weeks out. The expectation is for China to resume U.S. beef exports within a couple of months so depending on how brisk that business starts out could be very positive to the cash fat cattle market. USDA described talks with China about resuming beef imports are moving swiftly and they expect details for the plan to be in place by early June. Regardless, the fundamentals of the cattle and beef markets are on pretty solid footing going forward and summer lows in the fat cattle market aren't going to be anywhere near as deep as first thought earlier in the year.

Lean hog futures look to test contract highs this week with solid gains again last week. Cash prices and pork values continue to rally. Cash index +3.61 for the week & +15.26 so far this month, IA/S. MN +1.07 for the week & +14.32, Pork +3.97 for the week & \$12.8 so far this month.

NATIONAL FEEDER & STOCKER CATTLE SUMMARY – W/E 05/19/2017

RECEIPTS:	Auctions	Direct	Video/Internet	Total
This Week	182,100	25,400	29,500	237,000
Last Week	225,900	48,400	54,600	328,900
Last Year	188,700	44,800	1,200	234,700

Compared to last week, steer and heifer calves traded unevenly from mostly 5.00 lower to 6.00 higher. There were instances where calves sold up to 10.00 lower

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early in the week. Sales of feeder steers and heifers early in the week traded steady to 5.00 lower, with the tide turning at the later part of the week as sales sold 2.00-4.00 higher. Trade active on moderate to good demand. Slaughter weights saw a huge drop in the report released this week with an average dressed carcass weight of 832 lbs. Perhaps feedlot operators might still have the upper hand despite lower fed cash trade this week as packers still need inventory. Boxed-beef has a Choice and Select spread over 25.00 due to a significant amount of green cattle slaughtered.

For the week, Friday May 12th to Friday May 19th, June Live Cattle -\$1.72, August -\$1.72, May Feeder Cattle -\$1.20, August -\$1.37, June Lean Hogs +\$1.55, July +\$1.57. Boxed Beef Choice -\$0.55 at \$247.14, Select -\$4.09 at \$221.42, Pork Carcass Cutout +\$3.97 at \$87.26.

Cattle slaughter from Friday is estimated at 110,000 head, down 4,000 from a week ago and down 1,000 compared to a year ago. For the week, 608,000 head, down 4,000 from the week previous but up 18,000 compared to last year. Year to date slaughter up 5.7%, beef production only up 4.0% vs. a year ago.

Hog slaughter from Friday is estimated at 419,000 head, up 1,000 from a week ago and up 38,000 compared to a year ago. For the week, 2,249,000 head, down 9,000 from the week previous but up 134,000 compared to last year. Year to date slaughter up 2.7% and pork production up 2.4% vs. a year ago.

Boxed beef cutout values steady to weaker on light moderate demand and moderate offerings for a total of 89 loads sold.

Choice Cutout__247.14 -.07 -.55 for the week

Select Cutout__221.42 -.24, -4.09 for the week

CME Feeder Index:__143.86 +1.81

CME Lean Hog Index.__75.55 +.63

Pork Carcass Cutout__87.26 +.26

IA-S.MN Wtd Avg Carcass Base__71.35 +.24

National average Wtd Avg Carcass Base__70.86 +.24

China continues to struggle with Bird Flu. Sunday it was announced two more poultry markets in two separate cities were shut down after new cases of H7N9 were found.

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U.S. and Brazilian currency markets will be monitored closely this week as stories about Brazil's corruption and scandals continue to come out and get deeper. It was reported over the weekend that JBS paid minimal fines in the plea agreement and also went long the US dollar last week to capitalize on the currency moves.

June live cattle hit support at \$120.57 last week with a now 4-day trend higher hitting resistance at \$124. Support still looks pretty solid at \$120 in the June live cattle, \$116-\$117 in August live cattle, and \$115 in the deferred months. May feeders dipped below the \$140 mark briefly last week also trending higher since. Resistance will be at \$144.60, the 20-day moving average followed by \$145.60 which was last week's high. August looks similar with a \$5 premium to May, resistance at last week's high at \$154.25. June lean hogs high last week at \$79.95, just \$.40 away from the contract high back in February. We have rallied over \$11 since the low set just 1 month ago.

Corn supported to end the week with soggy conditions for much of the Corn Belt. The heavy rains over much of the belt will slow replanting efforts with cools temps limiting crop development in the near term. The rains also causing concern for more disease on both HRW and SRW. Currencies stabilized to end the week after the Brazilian Real was off 7.5% on Thursday with scandal after scandal. The selloff prompted a mass selling of producer soybeans in Brazil, rumored to be 100-200 MBU to fill the export channels, cut off potential for U.S. exports causing soybean futures on Thursday to crash 20 to 30 cents.

For the week, Friday May 12th to Friday May 19th, July Corn +\$.01 ½, December +\$.01 ½, July Soybeans -\$.10, November -\$.08, July KC Wheat -\$.01 ¼, September -\$.01, July Chicago Wheat +\$.02 ½, September +\$.01 ¾

Grain markets firm overnight finishing 2 to 3 higher throughout. Support coming from cool, wet weather continuing.

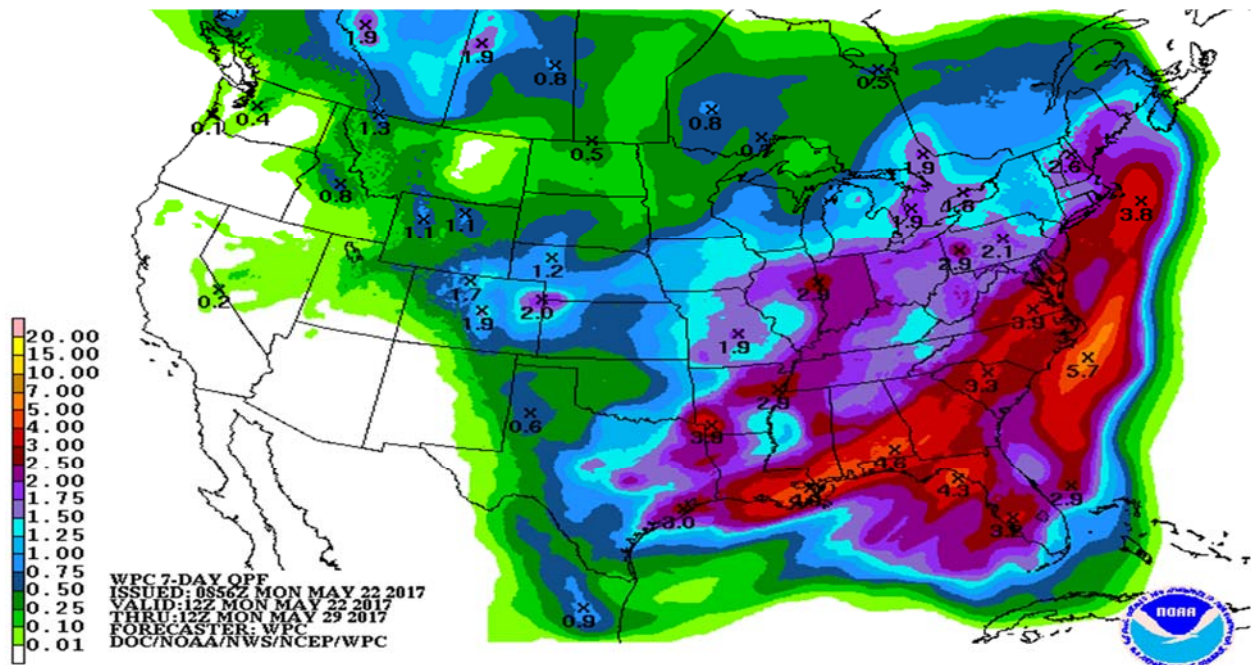
The trade will be looking for the USDA to show corn planting at 80% to 85% complete as of Sunday. This will compare to 86% planted last year on this date and the average of 85%. There is still quite a bit of replant to take place, some for the 3rd time yet. The good news it is still May but hearing word that this could be the largest replant in years. Soybean planting expected to be 50% to 55% complete vs. 56% last year and 52% average.

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July corn still in its 3 month long range bound trade from \$3.60 to \$3.80. The 10, 20 and 50-day moving averages have all converged at \$3.70 providing near term support. The December contract trading from \$3.78 to \$3.96 and currently above all major moving averages. July soybeans stopping short of the \$9.40 mark last week. The weekly chart shows support down at \$9.30 next. The November contract looks similar with support at \$9.40 and \$9.30, resistance now up at \$9.60. July KC wheat with support at \$4.20 and then the contact low down at \$4.11 ¼. July Chicago wheat also tested the \$4.20 support last week with the contract low from mid-April at \$4.16. Both gapped higher overnight.

For at least ¾ of production areas, it was a rather wet weekend. The Midwest in general is expected to stay soggy this week, although it is more "showers" than outright rain - the west is expected to get less than an inch while the east could get up to 1 to 2 inches and 4+ for the Gulf and East Coast. The 6-10 day runs from last night show normal to above normal precip for all except the PNW. Temps are below normal here in the central states with above normal on both coasts.



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