



Loewen and Associates

Commodity Consulting/Brokerage

**Pete Loewen, Matt Hines,
Doug Biswell, Matt Burgener
866 341 6700**

www.loewenassociates.com

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Morning Ag Markets

Matt Hines

Cattle futures touched limit higher yesterday on red-hot box beef demand. June live cattle was the only contract to stay near that level from aggressive bull spreading. Cash is of course still premium by some \$10 but 2 months to sort that out. We may not see much direction today as only 1,745 head are consigned for this week's online Fed Cattle Exchange and the majority have been a no sale over these past few weeks. The triple-digit gains in feeders were also tied to short covering, commercial buying, and a pullback in the corn trade.

Reports from Western KS as of midday yesterday, lots were still digging out from the massive snow dump and cattle that did survive are set back at least 1 to 2 weeks. Due to excessive rains, flooded roads and blizzard, many salebarns so far this week are seeing much less traffic through. El Reno, OK, only 20% of year ago numbers, reporting calves sold \$6 to \$8 higher. OKC, Tulsa and Joplin on Monday all about ½ of year ago volumes, feeder steers and heifers steady to \$8 higher.

Despite the fallout from Brazil's meat packing scandal, the Brazil Trade Ministry data for April on Tuesday shows Beef exports at 70,207 MT off from the 98,223 MT in March and 86,541 MT in April 2016, April 2017 pork exports totaled 44,549 MT off 10,273 MT from March and off 8,342 MT from April 2016. Soybean exports for April were reported at 10.43 MMT, 383 MBU, vs. 8.98 MMT in March.

JBS executives in Reuter's interview say the company is making their first imports of US beef picanha, a particular beef cut from the rump popular with Brazilians. The first shipments will arrive soon with some 12 tons. The company is said to be expecting imports to grow to some 150 up to 200 tons per month if demand is there. The company produces 1,700 tons picanha per month in Brazil.

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Cattle slaughter from Tuesday is estimated at 114,000 head, down 2,000 from a week ago but up 2,000 compared to a year ago. Hog slaughter from Tuesday is estimated at 417,000 head, down 22,000 from a week ago and down 16,000 compared to a year ago.

Boxed beef cutout values sharply higher again on moderate to good demand and light offerings for a total of 110 loads sold.

Choice Cutout__229.45 +3.18

Select Cutout__213.28 +3.83

CME Feeder Index:__142.76 +1.04

CME Lean Hog Index.__60.29 +.41

Pork Carcass Cutout__75.89 +.48

IA-S.MN Wtd Avg Carcass Base__59.81 +2.26

National average Wtd Avg Carcass Base__58.47 +2.22

Live cattle futures had a record high daily volume yesterday and open interest is almost double that of year ago. Looking at the weekly charts, live cattle have a gap from \$127.12 to \$128.30. June will look first to fill this gap, test the \$130 area then looking at the April contract expiration at \$138 with support down at \$120 and \$115. Feeders again reached up for new contract highs yesterday but May is still unable to close above \$150. This will be the key for moves higher this week followed by filling the gap on the weekly chart around \$160. June lean hogs have bounced back into the \$74 area after lows around \$68 2 weeks ago. Cash and pork values are increasing now as well trying to build support for another leg up to the \$78 area.

Over in the grains, overnight trade was steady to higher but corn could not hold near the top end of the recent range. Fall crops gave back part of Monday's gains as extended forecasts are calling for drier conditions and warmer temps. Wheat finished mixed with KC still holding minor gains as it will take some time to assess the total damage in the Southern Plains.

Overnight, grains were mixed on light volume with quite a bit of spread trading, buying soybeans and selling corn and wheat. Soybeans finished 1 higher, corn steady while KC wheat was 6 to 8 lower and Chicago 5 to 6 lower.

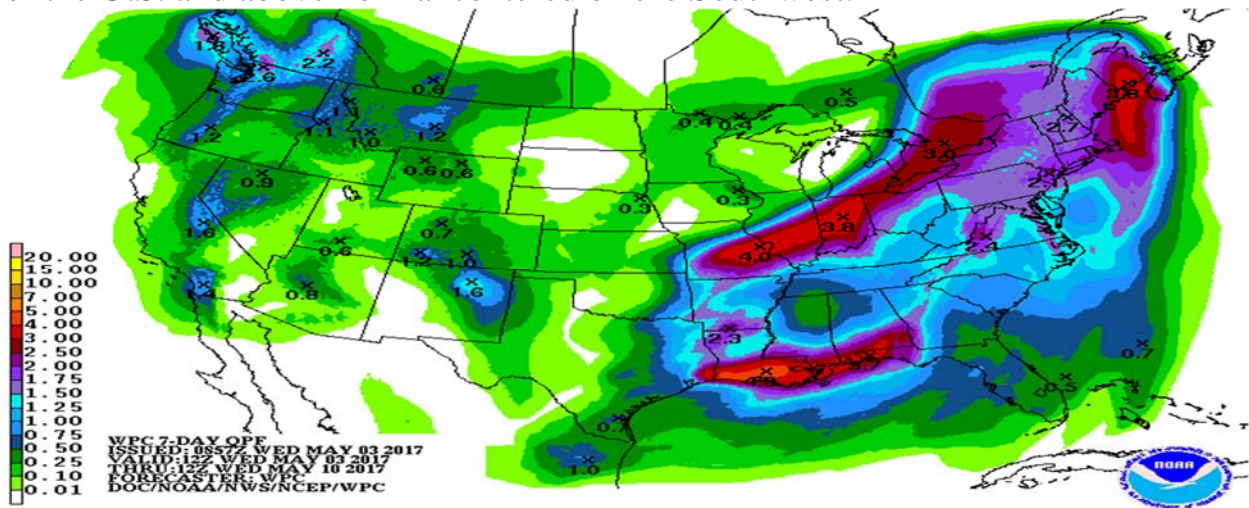
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Wheat Quality Tour in OK and KS, freeze damage in Central and NC KS, snow packed broke stems in SW KS to the Panhandle of OK. Day 1 looked mostly in northern KS and the tour reported a yield of 43.0 BPA vs. 47.1 BPA a year ago and a 5-year average of 42.7 BPA in the same area. Disease evident in many spots, WSMV and BYD pressure, lots of lodging & freeze damage. A smaller group in eastern CO posted an average yield at 31.6 BPA vs. last year's state record of 48.0.

July corn has been trading a \$.20 range over the past 2 months. July's range is from \$3.60 to \$3.80 while December's is from \$3.78 to \$3.95. July soybeans holding a nice uptrend since the beginning of April with resistance in the \$9.75 to \$9.80 area and support \$9.46 to \$9.41. November has been a little choppy trading from roughly \$9.40 to \$9.80 as well. July KC wheat ran \$.50 higher off the contact lows from just last week but will still need to take out the \$4.90 resistance to attract additional buying. July Chicago wheat topped out \$.45 higher than its contract low, sitting at support levels now with resistance up near \$4.76.

Rains still forecasted from MO up through the ECB with 3 to 5 inches expected on already flooded areas. The 6-10 day maps show below normal temps East still and above normal North and West. There is some concern now for frost or freezing temps in the ECB. Precip is forecasted normal to below normal for the eastern half of the U.S. and above normal centered on the Southwest.



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Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

www.loewenassociates.com pete@loewenassociates.com matt@loewenassociates.com

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