



Loewen and Associates

Commodity Consulting/Brokerage

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

www.loewenassociates.com

Date: June 2nd, 2017

Morning Ag Markets

Matt Hines

Cash feedlot trade sharply higher pushing futures limit higher on Thursday. Both live cattle and feeders broke higher spurring additional technical buying as prices were able to top the past few week's resistance levels. Expanded limits will be in place for both live cattle and feeders today, \$4.50 for live cattle and \$6.75 for feeders. KS and NE traded up to \$137 live, \$4 to \$5 higher than a week ago and \$215 to \$216 on a dressed basis which is \$6 to \$8 higher than a week ago.

The holding company of JBS SA, the world's largest meatpacker, has agreed to pay what could be a record-setting penalty in exchange for leniency in sweeping corruption investigations by Brazilian prosecutors. J&F Investimentos, which controls JBS and a host of other Brazilian businesses, said it would pay 10.3 billion reais (\$3.2 billion) over 25 years after admitting to paying roughly \$150 million – mostly in bribes — to Brazilian politicians. Among other favors, the graft guaranteed JBS access to billions of dollars in financing that funded an acquisition spree in the U.S. and other countries, transforming the family-owned company into a global giant.

With the deal, J&F became the second Brazilian company in less than six months to reach a record-breaking corruption settlement, a fact that highlights both the rampant graft in Latin America's biggest economy and the vast scope of recent investigations to unmask it. In exchange for cooperating with prosecutors, former JBS Chairman Joesley Batista and his older brother, Chief Executive Wesley Batista, skirted jail time, Brazilian prosecutors said. The two resigned last week after word of their plea bargain was made public. They added that they accepted that condition because the brothers cooperated, handing over evidence that is being used to investigate current Brazilian President Michel Temer and his 2 predecessors.

IMPORTANT—PLEASE NOTE

This does constitute a solicitation to buy or sell commodities futures and/or options. The information contained herein is provided for informational purposes only. The information is not guaranteed as to its accuracy or completeness, although the information was taken from sources we believe to be reliable. The market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading commodity futures and options. The risk in trading can be substantial; therefore only genuine "risk" funds should be used.**

Yesterday, Court in Brazil issued injunction freezing the Batista's 800 bank accounts. Last March, JBS S.A. was drug into a tainted meat scandal. Despite hundreds of court orders issued, the company claims no wrong doing by executives. All combined, this has had a major impact on Brazil's economy but could also impact North America. JBS S.A. released a shareholder presentation on its food businesses, showing 50 percent of the company's total revenue comes from U.S. operations, while 15 percent comes from Brazil and 14 percent in Asia. According to the report, JBS beef, pork and poultry operations in the U.S. and Canada generated \$33.9 billion in sales in 2016. JBS slaughters 29,000 cattle every day in the U.S. and 4,200 in Canada. The company owns 11 feedlots in the U.S. with a capacity of 900,000 head, as well as one Canadian feedlot with 75,000-head capacity. Through Pilgrim's Pride, JBS also processes 6.6 million birds a day in the U.S. through 25 processing facilities. On the pork side, JBS processes 90,000 hogs a day in the U.S. and also operates five feed mills.

Cattle slaughter from Thursday is estimated at 117,000 head, up 2,000 from a week ago and up 6,000 compared to a year ago.

Hog slaughter from Thursday is estimated at 438,000 head, down 2,000 from a week ago but up 4,000 compared to a year ago.

Boxed beef cutout values steady on Choice and lower on Select on moderate demand and heavy offerings for a total of 188 loads sold.

Choice Cutout__245.58 +.04

Select Cutout__217.22 -.96

CME Feeder Index:__147.11 +1.58

CME Lean Hog Index.__76.79 +.26

Pork Carcass Cutout__91.44 +.44

IA-S.MN Wtd Avg Carcass Base__74.65 +.37

National average Wtd Avg Carcass Base__73.40 -.23

June live cattle reached a new 3 week high yesterday with resistance now at \$130, the contract high at \$134.55 and support down at \$124. August feeders also into a new 3 week high with support at \$145 and the contract high up at \$163.50 a month ago. June lean hogs trading back and worth this week but still working higher. We have seen just shy of a \$15 rally since late April.

IMPORTANT—PLEASE NOTE

This does constitute a solicitation to buy or sell commodities futures and/or options. The information contained herein is provided for informational purposes only. The information is not guaranteed as to its accuracy or completeness, although the information was taken from sources we believe to be reliable. The market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading commodity futures and options. The risk in trading can be substantial; therefore only genuine "risk" funds should be used.**

Over in the grains, support from the crop conditions just a day prior was negated yesterday by more favorable extended weather forecasts in the Midwest. The only other new news was an updated private estimate of Brazil's corn crop up to 100 MMT, 4 higher than USDA and ethanol production up 1% vs. a week ago with only at .3% increase in inventories. Wheat held close to unchanged for KC and Chicago contracts as MPLS wheat continues its rally into new recent highs. Reported yesterday that Chinese soybean crushers are running nearly a \$52/ton loss in some areas which is the worst margin in 33 months. According to export data released on Thursday, Brazil exported 10.96 MMT of soybeans in the month of May vs 9.92 MMT for May of last year; they also exported 309,986 MT of corn vs 26,740 MT last May.

Grain markets firm overnight, corn finishing 2 higher, soybeans 3 higher and wheat 2 to 4 higher.

Weekly Export Sales

Commodity	Est. Avg	Actual
Wheat	150k-550k MT	-29,000 old, 810,300 new
Corn	400k-800k MT	412,100 old, 139,700 new
Soybeans	200k-600k MT	610,200 old, 16,000 new
Soymeal	50k-200k MT	123,600 old, 900 new
Soyoil	0k-25k MT	22,800 old

Export sales 16.2 MBU old crop corn on the low end of expectations and not too friendly whereas 22.4 MBU soybeans is very bullish with 2/3 of that sold for "unknown destinations", most likely China. -1.1 MBU old crop wheat and 29.8 MBU new. 85.5 MBU of wheat unshipped of the 1.042 BBU commitments. NO way we ship that in the 1 week remaining of this current marketing year. For the record, there has never been a time in my grain industry history that actual shipments or inspections have ever equaled USDA's export total for the year. And even worse, sometimes it is randomly higher or lower or wherever, but never equal.

Private exporters reported to USDA export sales of 200,000 MT or 7.3 MBU of soybeans for delivery to Spain. Of the total 2.5 MBU is for delivery during the

IMPORTANT—PLEASE NOTE

This does constitute a solicitation to buy or sell commodities futures and/or options. The information contained herein is provided for informational purposes only. The information is not guaranteed as to its accuracy or completeness, although the information was taken from sources we believe to be reliable. The market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading commodity futures and options. The risk in trading can be substantial; therefore only genuine "risk" funds should be used.**

2016/2017 marketing year and 4.8 MBU, which was previously reported as unknown destinations, is for delivery during the 2017/2018 marketing year.

Weather forecasts are looking favorable for the Midwest with ½ to 1 ½ inch scattered rains predicted over the next 7 days. There are 3 pockets of 3 to 7” though in TX, New England and Gulf Coast. The 6-10 day outlook shows below normal precipitation for the Northern Plains and Corn Belt, above normal in the previously mentioned pockets. Temperatures are still forecasted below normal East and above normal west of the Rockies.

July corn stuck in the \$3.65 to \$3.75 range the past month and from \$3.60 to \$3.80 the past few months. The December contract trading from \$3.78 to \$3.96. July soybeans breaking the \$9.30 support area now looking to test \$9. The November contract looks similar breaking support at \$9.40, the low from last August down at \$9.03 ½ and resistance now up at \$9.60. July KC wheat with support at \$4.20 and then the contract low down at \$4.11 ¼. July Chicago wheat with support at \$4.20 also and the contract low from mid-April at \$4.16. Both are holding a sideways to slightly higher trend over this past month and half as MPLS spring wheat has taken out the recent highs from February, into new 11-month highs and looks to test \$6.

Loewen and Associates, Inc.

Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

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

866-341-6700

IMPORTANT—PLEASE NOTE

This does constitute a solicitation to buy or sell commodities futures and/or options. The information contained herein is provided for informational purposes only. The information is not guaranteed as to its accuracy or completeness, although the information was taken from sources we believe to be reliable. The market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading commodity futures and options. The risk in trading can be substantial; therefore only genuine “risk” funds should be used.**