Loewen and Associates, Inc.
Commodity Consulting/Brokerage
Pete Loewen, Matt Hines,
Doug Biswell, Matt Burgener
866 341 6700
www.loewenassociates.com

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Morning Ag Markets

Pete Loewen

Cattle complex futures traded in a $1.30 range from high to low yesterday in the live cattle and a $2.05 range from top to bottom in the feeders. At the close the live futures were lower in all but one contract month and feeders were lower on the front three months and mixed beyond that point.

Most of the analytical side of the trade are still trying to process what transpired in last week's cash feedlot trade versus the direction the futures market was heading. Two weeks ago the Southern Plains traded $118. Last week that trade jumped $3 up to $121 and on the same day the futures market broke hard and never looked back. At yesterday's close the Spot month December live cattle were trading at a $4.63 discount to that $121 mark and there's zero logic behind that happening. October and most of November were spent trading a negative basis on finished cattle. Last week it flipped back to positive by more than $1.00.

Another factor that was concerning was sharply lower beef product trade through the first four days of last week in the face of cash being sharply higher. Now the futures trade takes a dive and product prices on Friday and Monday moved back towards sharply higher. There's no rational sense going on in the market right now, so I'm not going to attempt to translate what's happening. Right now it's just a matter of laying out all the facts so people can understand the current confusion.

Cattle slg.___119,000 +1k wa +5k ya

Choice Cutout__208.19 +2.20

Select Cutout___185.54 +1.93

Feeder Index:___156.69 -.51

Lean Index.__ 63.92 +.64

Pork cutout___83.94 +.59

IA-S.MN direct avg__59.37 +.59

Hog slg.___ 465,000 +20k wa   +27k ya

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Volatility got spiced up a little bit on Monday in the grain and oilseed markets. Soybean futures pushed double digit gains early, but gave over half of those gains back heading into the close. Argentina dryness is what was pegged as the catalyst for the rally and like all weather markets…, it's only as good as the next forecast! So, if it remains hot and dry, beans will keep moving higher. Any break in that weather though and the bottom will fall out. Plus, it gets even dicier when its Southern Hemisphere weather and not something more tangible like when it happens here in the states.

Corn futures found higher trade early and then caught some heavy selling as the day progressed. From a technical analysis standpoint it turned into a bearish key reversal on the charts, so that puts the corn market on edge, just like the beans. We had a bullish key reversal last week off of new contract lows and a bearish one yesterday. That's going to create a lot of confusion for corn traders.

Fund activity yesterday showed them sellers of 9000 corn, 3000 wheat and buyers of 6000 soybeans.

Export inspections that normally come out mid-morning were delayed because of some reporting issues. Milo, soybeans and wheat came in above the expectations and corn was below the trade guesses. There were 23.1 mln bushels of corn inspected for export and that's bearish. Cumulative shipments are lagging last year's pace by 232 mln bushels and that's a big margin. Milo continues to be bullish though with 10.4 mln in export loadings. What this current milo export picture is likely going to do is continue to push basis bids higher in the country. Soybean export loadings were 66.2 mln, which would be a neutral number under most circumstances, but this year's pace is still 119.5 mln bushels behind last year and USDA has soybean exports pegged to be larger than last year. Because of that, I'm calling yesterday's number bearish. Wheat inspections were 15.05 mln bushels and that's a neutral number. If we want to get bullish wheat, we have to see weekly sales and shipments at 20 mln+ and a carryout number that's south of 900 mln instead of north of it like we are currently facing with USDA's 935 mln current ending stocks forecast.

8 a.m. export reporting showed a 162k mt sale of US milo to China.

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