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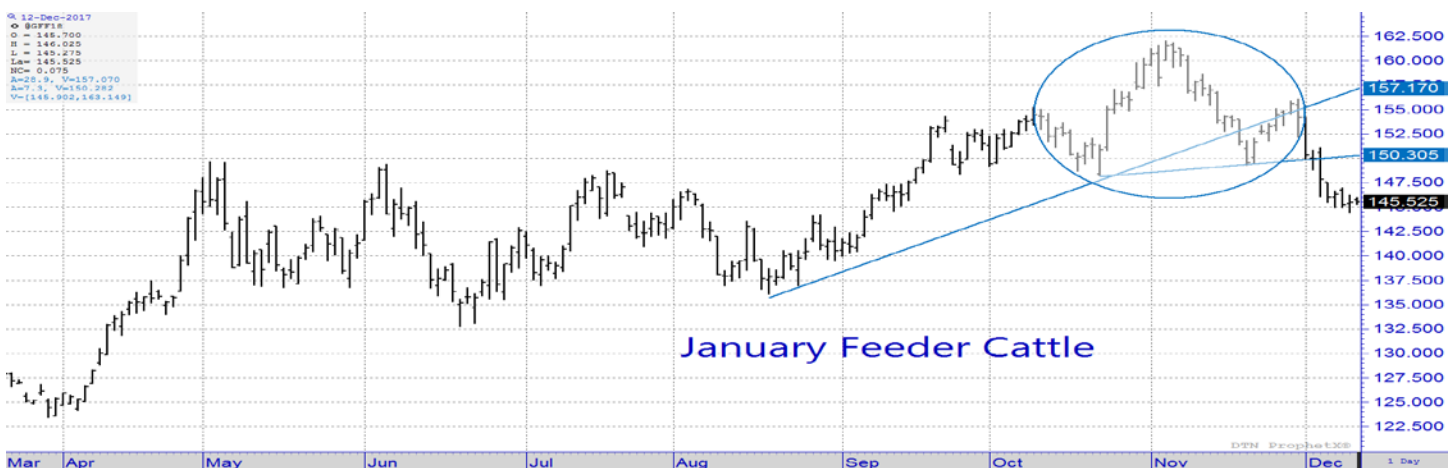
Date: December 12, 2017

## **Morning Ag Markets** Pete Loewen

Most of the ag sector once again spent a good part of the day on Monday at lower money. At the close, almost all of the grain and oilseed complex was in the red. Meats finished with quite a few hog contracts down in the triple digits. Live cattle were all lower, although it was just mildly weaker. Feeders settled mixed with a few more lower closes than higher.

Both the futures and the cash feedlot trade have been in a tailspin since the first of the month. Cash feedlot trade was down \$4 last week. Live cattle futures have been lower 6 of the 7 business days and feeders have been lower 5 out of 7. On the other hand, product trade has remained steady to a little higher through that same timeframe. Choice cutouts are up 89 cents since the last day of November and select is up \$1.45.

Technical analysis of both the live and feeder markets looks ugly. We had bearish key reversals off the contract highs that were set in early November and by the end of last month, a big bearish head and shoulders top was in play as well. It will be interesting to see if the product stability can stop the fallout, or if technicals and cash market momentum will win the battle. At the moment, there's more weight pulling things lower, yet the market is also overdue for a technical bounce in here somewhere.



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Cattle slg.\_\_\_\_120,000 +1k wa +6k ya

Choice Cutout\_\_ 205.53 -.06

Select Cutout\_\_185.66 -.31

Feeder Index:\_\_\_\_154.32 -.08

Lean Index.\_\_\_\_ 65.17 -.31

Pork cutout\_\_\_\_81.69 -2.01

IA-S.MN direct avg\_\_58.81 -.56

Hog slg.\_\_\_\_ 464,000 -1k wa +22k ya

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Grain and oilseed trade will get some potential market moving fodder today with the release of the monthly S&D report, as well as WASDE numbers. Export inspections data that came out yesterday morning was bearish across the board and that likely helped keep pressure on price throughout the day. Corn inspections were 25.9 mln bushels, which was below the 34.3 mln number from last year at the same time. Cumulative inspections are lagging last year by 239.6 mln bushels and that gap widened this week, which is bearish corn.

Soybean inspections were 45.2 mln bushels yesterday and that's 22.5 mln bushels less than last year at the same time. Cumulative sales in beans are down 142 mln bushels from last year and that gap widened this week, just like corn. That makes yesterday's inspections data every bit as bearish beans as it was corn.

Wheat inspections were 11.6 mln and last year they were 16.4 mln at the same time. USDA has wheat exports projected to decline 5% this year compared to last and currently they are sitting at 7% behind, which is very close to being on pace. Like I have emphasized for weeks though, I don't want to see wheat keeping up on the pace, I want to see it exceeding the pace. If we want to see the slide in futures price stop, carryout needs to be below 900 mln bushels. Right now, USDA has it pegged at 935.

Today's USDA reports will not have any changes in the production numbers. The next time we'll see that is in the January final report. Demand data has the potential to be changed today, so ending stocks could very well change a little. Estimates on the domestic side have the average trade guess for corn ending stocks at 2.477 bln. That's 10 mln below last month and

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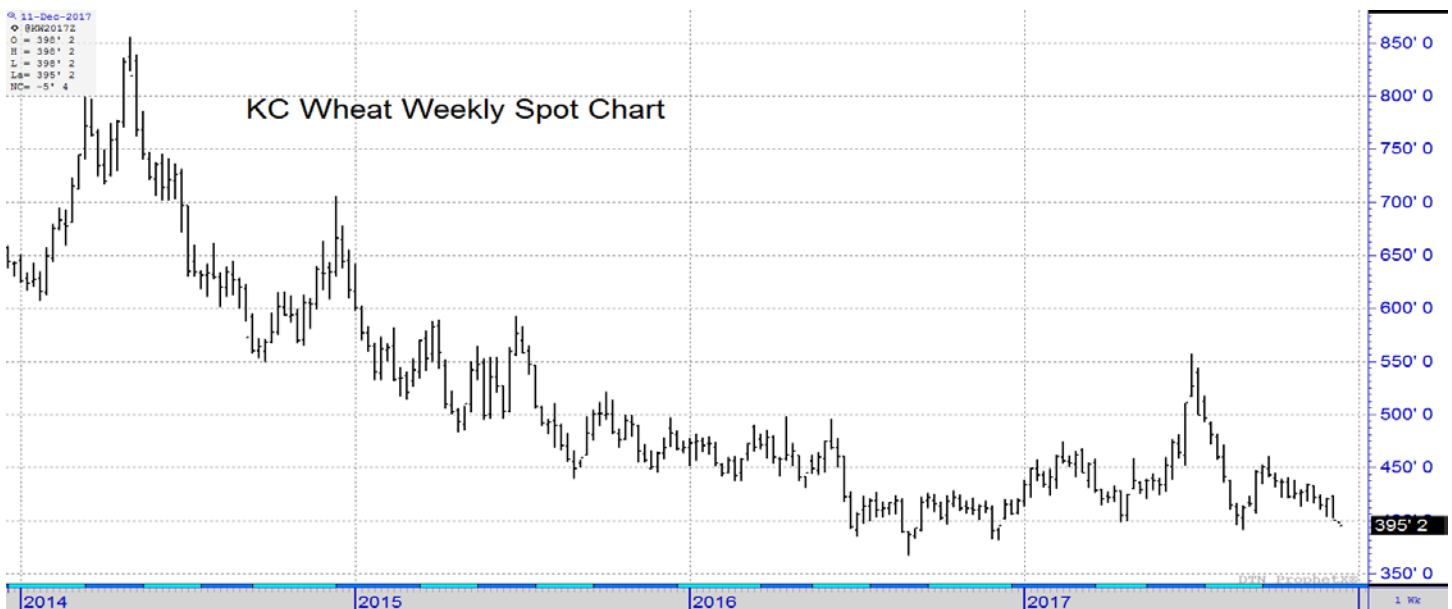
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182 mln larger than last year. Soybeans ending stocks are pegged at 445 mln bushels, which would be up 20 mln from last month and 144 mln larger than last year. Wheat carryout is estimated at 941 mln bushels and that would be 6 mln larger than last month, but still 240 mln less than last year.

World stocks estimates are looking for a very slight reduction in all three markets compared to the November numbers. Versus the year ago totals, corn is expected to be 24 mmt's less, but soybean and wheat world carryout is expected to still remain above last year's totals. Compared to historical numbers, all three have burdensome totals in the world carryout projections still.

8 a.m. export reporting had a long list of new business that started off with some old business and a switch on 492k mt's of previous soybean sales to unknown switched to China destination. The new sales included 120k mt's of US HRW wheat sold to Algeria, 152k mt's US corn to Mexico and 168,300 mt's of US beans sold to unknown destination.

One last tidbit of news, Egypt's latest wheat tender still doesn't have the official winner announced, but the offers from Russia were the cheapest, followed by Romanian and then French wheat. US wheat wasn't even offered, partly because we're still not competitive into that market. Like it or not, that's still somewhat bearish to US wheat.



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