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Morning Ag Markets Pete Loewen

A lot of folks, including myself are still awestruck by the aggressiveness of the packer buying last week. We watched cash drop from \$121 on the last week of November to \$117 the first week of December and then flip around and gain \$3 of that back, trading up to \$120 last week. That put the December live cattle in a race to catch up, which explains yesterday's action. It also pushed the price relationship between December and February to an extreme shift. On the 22nd of November the February live cattle were trading \$6.42 higher than December. Yesterday that spread settled with the February only 62 cents higher than Dec. Pretty solid sign that the trade is losing a lot of faith in holding steep premiums in these deferred futures.

Coming up this Friday is a big trio of reports with COF, monthly cold storage and quarterly Hog and Pig report numbers all hitting the press. I'll talk about Hog and Pig report estimates later in the week, but today I want to spend a moment on the projections for the Cattle on Feed report. Early estimates on that data show the range of guesses for the On Feed total on Dec 1 to be from 106.5% of a year ago, up to 107.4% at the top end. Marketings last month are projected to be between 101.6% up to 103.5%. The Placement guesses for the month of November are in a pretty tight range, which is surprising. Usually there's quite a bit of disparity from the high to low. Estimates range from 105.3% up to 111%. In my opinion, we'll be at the low end of that range in this go-round.

Cattle slg. ___119,000 -1k wa +6k ya

Choice Cutout__203.15 +1.28

Select Cutout___185.01 +1.76

Feeder Index:___154.40 +.09

Lean Index.___63.18 -.93

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Pork cutout___75.86 -1.71

IA-S.MN direct avg__55.49 -.86

Hog slg.___ 467,000 +3k wa +32k ya

Export inspections had some fodder for both the bulls and the bears. Wheat inspections were bullish at 21.5 mln bushels. That brought the marketing year to date total down to 32.8 mln bushels below a year ago at the same time from 37.9 mln the week prior. Soybean inspections were friendly, coming in at 65.2 mln bushels. The marketing year to date total in beans closed the gap from the year prior by 1.4 mln bushels, leaving the total number lagging last year by 140.6 mln bushels still. Big picture, this is bearish for beans still, unless we see a lot more weeks like this with the number beating last year. That hasn't been the trend so far though. Milo inspections were bullish at 7.7 mln bushels, but corn was bearish at 23.4 mln. The gap between last year's cumulative shipments and this year's continues to grow as well. We went from 239.6 mln bushels behind a year ago last week to 245.6 mln behind this week. That is NOT a good situation for corn, especially with ending stocks pushing close to 2.5 bln.

Little tidbit of Russian grain news overnight, their Deputy Ag Minister stated that 2017 wheat export loadings were on target to hit 40 mmt's. USDA has the number pegged at 33.5 mmt's. Keeping up with the theme of wheat exports needing to grow, this week's US wheat export inspection number was really good, but news like that Russia story is a reminder of how tough the competition is in the world trade.

At this point, to get US ending stocks lower, it's probably going to take a smaller crop size because the current export pace is below the target needed to hit USDA's estimate. Informa put out their latest acreage estimates on Friday. They guessed the winter wheat planted acreage figure at 31.1 mln, which would be down 1.6 mln from last year. Couple that with a condition rating going into dormancy that was below last year at the same time and it would appear there's a shot at reducing production this year. They pegged HRW wheat specifically at 1.55 mln acres less than last year.

8a.m. export reporting showed 145k mt's of US soybeans sold to unknown destination.

Bitcoin futures were launched two nights ago. Life of the contract so far is posted on a chart on the following page. My thoughts about the contract are reflected in the picture after the chart...

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