



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

It took a little bit for cattle futures to get going but aggressive buying led to a \$2+ reversal higher at one point yesterday. Futures did fade into the close, but we still finished triple digits higher all on but the nearby December live cattle contract. Hogs though remain under pressure, December expires tomorrow so it should remain fairly flat. Deferred contracts now are about a \$1 from testing the lows in mid-November with cash prices back under pressure.

Yesterday's was not just a crop report as USDA updated supply and demand estimates or projections for all Ag products. Some price friendly news with both beef and pork production estimates decreased for 2017 and 2018. 2017 beef production decreased 95 million pounds, exports increased by 20 million pounds and domestic consumption down 115 million pounds for a wash and no change to ending stocks. 2018 beef was similar with a production decrease of 30 million pounds, exports up 15 and domestic consumption down the 45 million pound difference. Pork production dropped 180 million pounds for 2017 and down 10 million pounds in 2018 from November, both reductions made to domestic consumption to offset. Total red meat and poultry though for 2018 saw an increase in ending stocks of 10 million pounds and per capita protein consumption left virtually unchanged at a whopping 222.1 pounds per person to be consumed domestically compared to just 214.6 pounds per person in 2016!

Cattle slaughter from Tuesday is estimated at 116,000 head, down 4,000 from a week ago and matching a year ago. Hog slaughter from Tuesday is estimated at 468,000 head, up 2,000 from a week ago and up 27,000 compared to a year ago.

Boxed beef cutout values lower on Choice and firm on Select on light to moderate demand and offerings for a total of 135 loads sold.

Choice Cutout__204.06 -1.47

Select Cutout__185.92 +.26

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CME Feeder Index: __153.89 -.43
CME Lean Hog Index. __64.97 -.20
Pork Carcass Cutout __81.12 -.57
IA-S.MN Wtd Avg Carcass Base __57.68 -.98
National average Wtd Avg Carcass Base __58.15 -.72

No cash feedlot trade yet to report this week, hearing bids at \$114 to \$115 passed yesterday. Fed Cattle Exchange later this morning with 704 head consigned but 3 consecutive weeks of sub 1,000 head and no sales.

December live cattle still discount to cash with 3 weeks left before the contract expires. I hope we can hold the \$115 level here this week, the next levels of support down at \$114.50 then \$113. The February contract is \$13 off its high with support at \$116.60 and the next price count down at \$115.67. January feeders with a reversal higher yesterday but we need to get above \$151.10 for a reversal on the weekly charts. Support at \$144.45 then \$140 area and a complete retracement achieved down at \$136.10, the lows from mid-August. February lean hogs higher trend in jeopardy here this week with price currently below all major moving averages and as of yesterday's close only \$.25 away from the mid-November low. Breaking that would be technically bearish and could call for a test of the \$62 area.

Over in the grains, it was crop report day with soybeans winning the tug of war battle in the end pulling corn and wheat lower. There were no production estimate changes on this USDA report, those will be finalized in next month's report. Overall, only minor US demand changes to corn, soybeans and wheat that in the end decreased corn ending stocks and increased wheat and soybean stocks.

US Corn ending stocks decreased 50 MBU and 40 MBU under the pre-report average trade estimate. The only change came from an increase of 50 BMU in corn used for ethanol. Exports were not decreased yet, but could and probably should be in the coming months.

Grain sorghum ending stocks were increased by 2 MBU with the addition of 2 MBU to imports. What might get buried in the news though is a reduction of 50 MBU to the domestic food/seed/industrial (mostly ethanol) and increase of 50 MBU to exports. Add this to above comments on corn and if ethanol production

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can continue above 1 million barrels per day, USDA may continue to raise the corn usage for ethanol offsetting any future decreases to exports.

USDA had two adjustments to the US soybean balance sheet. The first was a reduction of 25 MBU to exports and the second an increase in seed of 5 MBU. The net effect of 20 MBU was added to ending stocks for now a total 445 MBU.

US wheat exports were decreased by 25 MBU which is a reversal from a month ago. Take into consideration also that futures continue to set new lows in the hopes to find or build demand down here somewhere. US wheat ending stocks are still at a 3 year low but world stocks have gone from 241.44 MMT or 8.871 BBU back in 2015/2016 to a projected 268.42 MMT or 9.863 BBU for this crop year! World wheat production is up 20 MMT. Russian wheat production has increased almost 22 MT in the past 2 years. Argentina is up 6.2 MMT with exports up 2 MMT and India is up 11.85 MMT but ending stocks there are actually down almost 4 MMT.

USDA did not make any changes to its South American production forecasts. USDA's expectation of Brazil's production of 108 MMT, was close to .5 MMT below market expectations and its forecast of Argentina's crop of 57 MMT was 210,000 MT above the average of analysts' projections. CONAB released their estimates yesterday morning for Brazil's corn and soybean production. Soybean production at 109.2 MMT vs. a prior range from 106.4 to 108.6 MMT. Corn production at 92.2 MMT vs. a prior range from 91.6 to 93.1 MMT. Brazil's first crop corn estimate at 25 MMT and second crop at 67.2 MMT.

Grains recovered some overnight with soybeans 4 higher, wheat 2 to 3 higher and corn 1 higher.

Interesting to note that Egypt bought 295,000 MT or 10.8 MBU of wheat yesterday, 4 Russian cargoes and 1 from Romania, at an average price of \$208.37/MT delivered. There were again no US offers but SRW pencils out right around \$206/MT landed Egypt with HRW landing around \$214/MT.

The next 5-6 days will feature ongoing dry weather and warm to hot temps across Argentina and S Brazil. A few lite showers will develop over SE Argentina today with better rain chances for other crop areas starting next week. Overall improved

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weather conditions are offered for Argentina and S Brazil starting next week. Confidence on the extended forecast is rising and the prospect of rain is being pulled forward from the 10-15 day period.

Still dry forecasts in the Plains, but maybe a chance with 1” in the Rockies and 2+” creeping in from the Southeast. The 6-10 day outlook shows below normal precipitation for most of the country with above normal in the North and Southeast. Temperatures are forecasted to remain above normal for all except the Northeast.

March corn with a new low at \$3.47 ½ yesterday, resistance still up at \$3.60 then \$3.65. January soybeans into a sideways trading pattern over the past 2 months since trending higher since mid-August. Recent lows down at \$9.67 with highs up at \$10.15. March KC wheat into new contract lows 2 days ago at \$4.10 ½, support down at \$4 then \$3.91 ½. March Chicago wheat with the same new low and we will see how low the December contract goes before expiration this week for a new low target on the weekly chart, that is currently at \$3.86 ½.

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