



## **Loewen and Associates**

***Commodity Consulting/Brokerage***

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

**[www.loewenassociates.com](http://www.loewenassociates.com)**

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### **Morning Ag Markets – Matt Hines**

Firm support was expected yesterday for cattle futures with cash feedlot trade higher to end last week and boxed beef prices soaring higher, +\$6 in the past 2 days. Instead we got mixed trade on sluggish volume and all the attention paid to lean hogs. Lean hog futures were triple digits higher all day after collapsing into new lows to end last week. Slaughter levels are down for the hogs and soaring meal prices are squeezing profit margins.

The cash fed cattle market is expected to be steady this week, but packers did reload on inventory with last week's 145,000 head buy so they may not need to be as aggressive in this week's trade. Showlists are steady in the Southern Plains but about 10,000 head lighter in Nebraska. Higher cash fat cattle markets and futures markets late last week is helping to support the feeder cattle trade early this week. Granted feedlot capacity at most yards is full, I have heard some rumblings that a few yards are building pens and adding more capacity, which is going to remain an underlying supportive factor moving forward.

Cattle Slaughter from Tuesday estimated at 117,000 head, matching last week and up 2,000 compared to last year. Hog slaughter from Tuesday estimated at 443,000 head, down 19,000 from last week and down 5,000 from last year.

Boxed beef cutout values sharply higher on moderate to good demand and light to moderate offerings for a total of 113 loads sold.

Choice Cutout\_\_215.92 +3.35

Select Cutout\_\_210.40 +2.97

CME Feeder Index:\_\_148.11 +.29

CME Lean Hog Index.\_\_71.41 -.68

Pork Carcass Cutout\_\_79.72 +1.36

IA-S.MN Wtd Avg Live\_\_ 49.97 no comp, Wtd Avg Carcass Base\_\_64.41 -.18

National Wtd Avg Live\_\_ 50.01 -1.10, Wtd Avg Carcass Base\_\_64.29 -.15

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February live cattle continue the month long higher trend, into a new 3-month high. It looks like we will test the contract high up at \$131.95 from early November and should find good support first at \$127.50 and again at \$125.40. March Feeders are still holding the higher trend from December. Resistance at \$152 with support \$148.30 down to \$146.80. April lean hogs gapped lower on Friday and into a new recent low at \$68.02. Yesterday's reversal higher filled the gap but couldn't hold above \$70.

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Rains in Argentina were light and mixed over the weekend, so again the soy complex was the leader in the grains yesterday. The mid-day weather outlook showed some better chances for light rains for this coming weekend. Sharply higher gains faded throughout the trading session. Corn and wheat began as followers but also headed lower which pushed prices into the red by midday. The US\$ didn't help matters with a rally yesterday building off the key reversal higher last Friday. \$3.70 March corn still strong resistance with the new crop December contract touching \$3.99 for a high yesterday.

Export inspections for the week ending February 15<sup>th</sup> were at expectations but not impressive. Corn shipments were ok at 36.9 MBU, but we continue to behind the pace needed of more than 47 MBU per week to meet current USDA projections. Shipments were 10% above last week, but lagged the prior year week by 25%. One-third of the total was sold off the PNW to Korea and Japan. Total sales + shipped for the 17/18 marketing year were pegged at 655 MBU which compares to over 962 MBU on the books this time last year.

Soybean shipments totaled 35.3 MBU compared to 49 MBU last week. Year to date is behind last year by 210 MBU while USDA projections are only 74 MBU lower. USDA will most likely trim exports again in the next crop report but again they may raise crush to offset. Wheat shipments were only 15.5 MBU, over 20 MBU is needed per week. Grain sorghum shipments were impressive though at 7.7 MBU following last week's 1.3 MBU.

Grains traded mixed to mostly lower overnight but came off their lows this morning. Corn, soybeans, Chicago wheat and MPLS wheat finished steady to 1 higher, KC wheat 2 to 3 lower and meal down \$1.

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Egypt in for wheat again after the close yesterday. Their last purchase was a combination of Russian and Romanian. This time they stuck with all Russian buying a total of 4.4 MBU and only \$1/MT higher.

WWS Argentina Weather Outlook: Much of Argentina was dry and saw increasing crop stress and yield reductions Tuesday, although mild temperatures in west-central and southern areas prevented rapid increases in crop stress. Crop stress and yield reductions will continue to rise in much of Argentina through the next week with some eastern areas seeing little to no significant relief from dryness through the next ten days to two weeks. Temperatures during the next week will be warm to hot and rain will be restricted. Isolated to scattered showers will occur Thursday into Tuesday in some southern and far northwestern parts of the country, but most of the resulting rain will be too light to induce significant improvements in crop conditions and most of the country will remain dry.

US rains remain heavy over this next week in the Southeast. The latest 6-10 day outlook shows above normal precip for the West Coast, Southeast and now even a line from ND down into East TX. Temps are forecasts below normal west and above normal east.

March corn still holding the higher trend since mid-January and still unable to break the \$3.70 resistance. March soybeans gapped higher Monday night and hit a new recent high at \$10.39 with the contract high up at \$10.50 ½. That gap was filled though during the day session yesterday and lows overnight were pressing the trendline support. March KC wheat testing support levels overnight, resistance up near \$4.85. March Chicago wheat with the support at \$4.40, resistance at \$4.67 then \$4.82.

### **Loewen and Associates, Inc.**

Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

[www.loewenassociates.com](http://www.loewenassociates.com) [pete@loewenassociates.com](mailto:pete@loewenassociates.com) [matt@loewenassociates.com](mailto:matt@loewenassociates.com)

**866-341-6700**

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