



## **Loewen and Associates**

***Commodity Consulting/Brokerage***

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

Additional liquidation mode for cattle futures yesterday with triple digit losses throughout. Cash trade trickled at \$126 live and \$203 to \$205 on a dressed basis. Fed Cattle Exchange with 2 lots totaling 166 head from KS sold at \$125 to \$126. I also heard of some trade at \$203 dressed for delivery 3 weeks out. Hogs were mixed yesterday as weakness continues in the cash values. The livestock complex currently is not giving any signals for buyers to step in and provide some much needed support.

Cattle slaughter from Wednesday is estimated at 118,000 head, up 1,000 from a week ago and up 1,000 compared to a year ago. Hog slaughter from Wednesday is estimated at 452,000 head, down 11,000 from the week previous but up 7,000 compared to a year ago.

Boxed beef cutout values higher on Choice and weak on Select on light to moderate demand and offerings for a total of 123 loads sold.

Choice Cutout\_\_224.38 +1.03

Select Cutout\_\_216.39 -.35

CME Feeder Index:\_\_140.95 -.30

CME Lean Hog Index.\_\_63.63 -.66

Pork Carcass Cutout\_\_71.45 -.62

IA-S.MN Wtd Avg Live\_\_ 44.59 no comp, Wtd Avg Carcass Base\_\_55.13 -.62

National Wtd Avg Live\_\_ 45.21 -.02, Wtd Avg Carcass Base\_\_55.04 -.69

April live cattle continue to trend lower from their most recent peak at \$128 back in February and have not completely retraced and breaking the recent low from mid-January. The next support area is at \$115 from the weekly charts and then around \$110. March Feeders into a new recent low for the third day in a row with the next support level at \$134 back from mid-August. April lean hogs with a new contract low yesterday at \$62.52. Looking at the weekly chart, the next support level is at \$60 then \$55.

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Grains were mixed yesterday, corn mostly steady, beans steady to higher and wheat steady to lower. It was certainly much calmer than the past few days in which all Ag products were collapsing. Volume was still there though for example May corn traded in a two cent range on 140k contracts. Funds were said to be net buyers of 10k corn bringing them to an estimated net long of 220k combined futures and options.

The Federal Reserve yesterday approved the widely expected quarter-point hike that puts the new benchmark funds rate at a target of 1.5 percent to 1.75 percent. It was the sixth rate hike since the policymaking Federal Open Market Committee began raising rates off near-zero in December 2015. Along with the increase came another upgrade in the Fed's economic forecast, and a hint that the path of rate hikes could be more aggressive. The market currently expects three hikes for 2018, and that remained the baseline forecast, but at least one more increase was added in the following two years.

Two days ago it was a Chinese tabloid, yesterday it was the WSJ reported that Chinese officials are planning to retaliate against President Trump tariffs with their own against US Ag products such as soybeans, sorghum and pork. Beef was not mentioned as it was just recently opened back up and trade is minimal. This is not new news and I believe part of the Ag sector sell off to end last week and begin this week.

Grains firmed back up overnight with corn finishing 1 higher, beans steady to 1 higher and wheat 2 to 6 higher. Most of the trade this morning is steady for corn and soybeans and supportive for wheat.

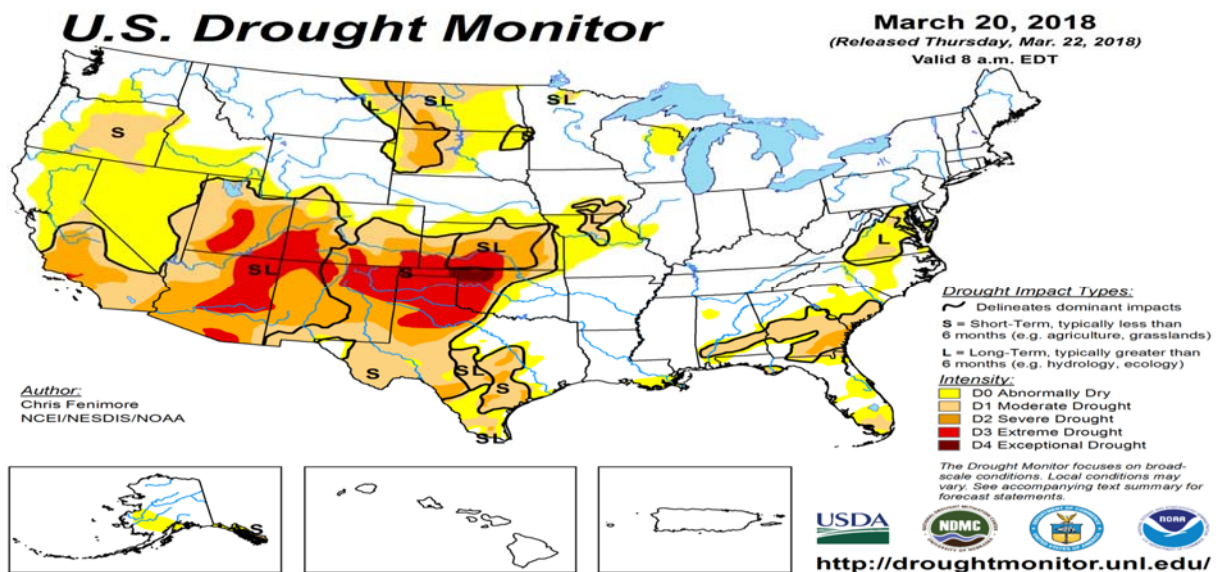
Export sales are delayed until Friday due to the temporary closure of the Federal Government today. Along those lines are the supposed fix for 199A that were initially thought to be a part of this next spending bill. Yesterday comments were swirling that it still may not get done and late last night it is back in. In addition to that provision, the omnibus bill also includes a provision to exempt concentrated animal feeding operations from having to report to emissions under federal pollution laws and \$600 million for a pilot grant and loan program to extend broadband service to rural areas.

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In Argentina, the 2 week outlook hasn't changed since yesterday and nearly widespread rain will fall on Argentina Friday into Saturday with heavy rain and flooding to the north. Analysts believe the crop may already be too damaged to see a positive impact from the rains there. Meanwhile Rain during the next two weeks will cause periodic interruptions to fieldwork across western Brazil while helping to ensure second season corn has favorable soil conditions.

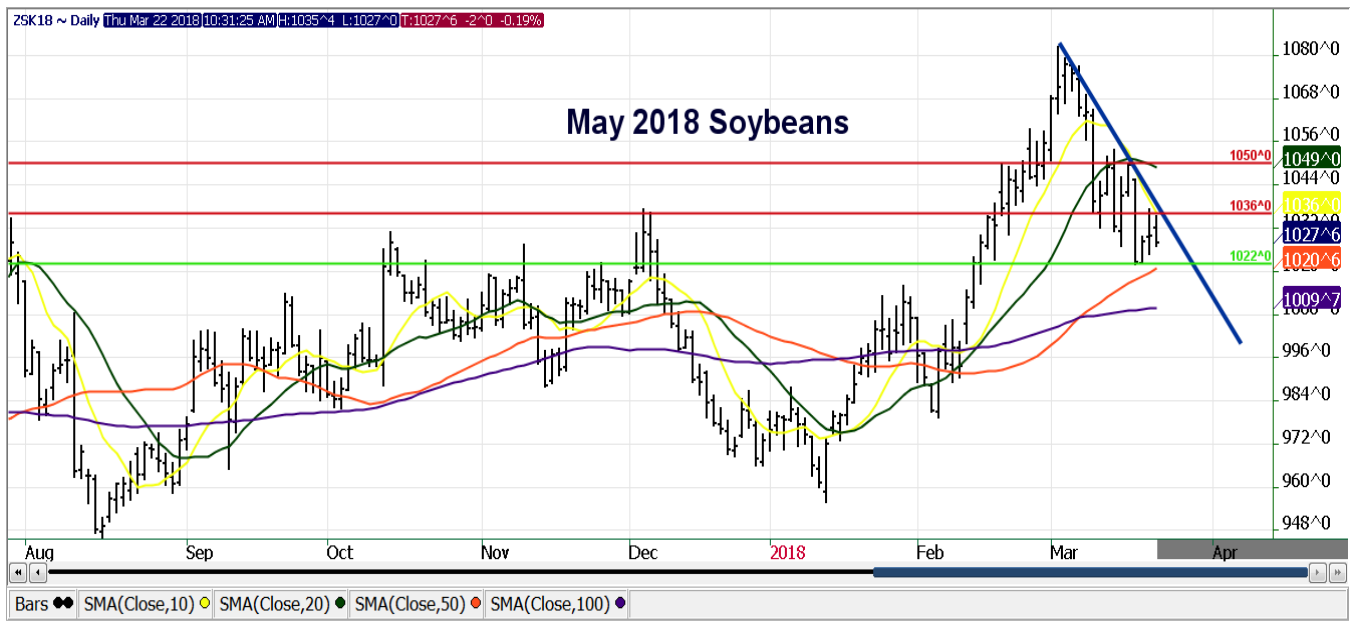
The latest US drought monitor was updated this morning, still showing D3 or extreme drought throughout the majority of the Southern Plains HRW area and still some D4 in OK and Southern KS. Honestly I think the market was hearing above normal chances in KS through TX but forgot that was the Eastern half not Western. Some heavy rains in the forecast still for the Southeast and up into the Corn Belt over this next week. The latest 6-10 day outlook still showing above normal precipitation for the Southeast and Midwest, below normal West. Temperatures are forecasted above normal for the Southeast and below normal for the Southwest.



May corn took 2 months to rally \$.40 and only 7 days to retrace or take back half of that. So far it is holding support at the 50-day moving average, now at \$3.73 ¾, resistance up at \$3.82. May soybeans still on a lower trend from earlier this month, support at \$10.22 with the first line of resistance at \$10.36 then up near \$10.50. May KC wheat finding support at the 100-day moving average now at \$4.65 ¼, with a gap remaining from \$4.95 to \$4.98 ¾. May Chicago wheat with support at \$4.50, resistance at \$4.70.

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