



## **Loewen and Associates**

*Commodity Brokerage/Consulting*

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## **Morning Ag Markets**

**Pete Loewen**

It was a banner day for the bulls in the ag markets on Tuesday... Following the 3 day holiday, cattle futures shot up from the combination of sharply higher feedlot cash trade from Friday and feeders from the huge jump calf prices took in Oklahoma City on Monday. That cash feedlot trade was as much as \$2.50 higher in the far south and \$3.00 better from peak to peak in Nebraska in the live trade.

With regards to the Oklahoma City auction trade on Monday, stocker cattle and calves were \$4.00-\$10.00 higher than last week and feeder steers and heifers were firm to \$2.00 better. Considering what has happened on the futures end lately, it could actually be considered surprising that those feeder prices weren't even stouter.

Now- there's no doubt through this jump higher in the cash feedlot trade that a large part of the drive has been weather induced. Available supplies coming into this timeframe were much more conducive to cash in the low \$80's than knocking at the door of \$90, but here we are nonetheless. Performance has been a mess in just enough areas this winter to knock total production down considerably and that has been the primary catalyst in the cash price rise. You can't attribute it to demand. If we could, packers wouldn't be paying the same on the rail in the northern dressed trade than what they are selling choice beef for out the back door. They have done that the last two weeks!

So, we are now faced with the great looking trifecta of a strongly higher cash trend, a strongly higher futures trend and improving values in the product market as well. Let's hope it can last. Without the nasty weather trend in this picture, which began clear back before Christmas, this cattle market picture would look vastly different. I'm still very cautious that it could turn back on a dime, but hey, the trend is your friend- right?

Cattle slg. \_\_\_123,000 unch wa -2k ya

Choice Cutout\_143.98 +1.15

Select Cutout\_141.97 +1.32

Feeder Index:\_\_\_100.78 +.39

Lean Index.\_\_\_ 67.35 +.04

Pork cutout\_\_68.52 +.24

IA-S.MN direct avg\_\_63.53 -.24

Hog slg. \_\_\_428,000 +12k wa -2k ya

Opening calls this morning are looking more mixed instead of a continuation of the strong close from yesterday. The overnight markets have been on both sides of unchanged so far this morning without much clear direction.

Grains made some major headway higher on Tuesday, just like the livestock. It didn't hurt that there was some help from significant outside market strength as well as technical buying and general short covering. Nothing was real inspiring for actual grain market fundamental news as a driver, but by the same token on the technical side, no one will argue that these markets haven't been overdue for more of a corrective bounce higher either. In an overall sense, things had been pounded on pretty good since before the January 12<sup>th</sup> crop report and now we have strung together nearly two weeks of steadily higher prices.

Overnight E-CBT trade was\_\_ a little lower with kc wheat -2 ½ to -3 ½, Chicago -2 ¼ to -2 ½, corn -1/4 to -1 and soybeans -1 ¾ to -4 ¼.

Tuesday's market push was helped along very well by a lot of outside market influence and that influence isn't present this morning. The dollar has been a little stronger and crude is up, but only mildly. With South American harvest pressure becoming an increasing threat by the day, it will be tough for beans in particular to turn this short term jaunt higher into a lasting trend. As I say that though, it's pretty easy to drift thoughts back to what the cattle market has done over the last couple of weeks with regards to defying fundamental logic. Maybe we can see some of the same action in the grains??

In the end, it may all boil down to the need to feed a bear market and the need to feed a bull market. There isn't anything out there to feed a lasting bull market in the grains like the weather has done for cattle. On the downside for grains, we may have simply ran out of sellers to continue pushing things lower. I'll contend that the farmer will become a more aggressive seller again fairly soon if we see prices continuing higher. It will be that kind of legitimate fundamental hedge pressure that will end this rally at some point, it's just a matter of "when"??

I'm calling things mildly weaker this morning at the start, but I don't think we're done going up in the short term. Long term we're lower.

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