



## **Loewen and Associates**

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Date: 06.2.14

### **Morning Ag Markets**

**Matt Hines**

Cash feedlot trade started lower early last week in the North but by midweek cash trade was back steady as packer margins should be back in the black. Feeders continue to rally after pulling back a week ago. A new all-time high was hit on Thursday with the October contract trading \$198.92 and Friday's trade was fairly quiet and flat.

For the week June Fats +1.50, August Feeders +4.20, June Hogs -3.50

Cattle slaughter from Friday estimated at 118,000 head, up 6,000 from a week ago and down 8,000 from a year ago. Weekly totals estimated at 537,000 compared to 599,000 a week ago and 595,000 last year. Slaughter now 6.4% less than a year ago.

Choice Cutout\_\_232.66 -.99

Select Cutout\_\_221.90 -1.87

Feeder Index:\_\_191.43 -.32

Hog slaughter from Friday estimated at 413,000 head, up 19,000 from last week and down 3,000 from a year ago. Weekly totals estimated at 1,750,000 compared to 1,973,000 a week ago and 1,873,000 last year. Slaughter numbers year to date now 4.2% less than a year ago.

Lean Index.\_\_110.67 -.16

Pork carcass cutout\_\_116.01 +2.26

IA-S.MN direct average cash\_\_106.33 -3.22

Both live and feeders contracts should be supported this am by technical buying and the recent premium of feedlot sales.

#### **IMPORTANT—PLEASE NOTE**

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Moving onto the grains...

Grains have had a rough 4 day week, with what could be termed ideal weather for fall crops pressuring the markets. Corn and wheat have continued with liquidation mode this past week while even soybeans may have found a near term top but plenty of summer weather is still ahead of us as most producers are saying moisture levels were still hand to mouth before the weekend's storms passed through. Export sales were delayed until Friday with all three at the high end or above expectations which still wasn't enough bullish news to stop the slide in grains.

For the week, July Corn - 12 ¼, Dec -17 ¾, July Beans -22 ¼, Nov -32, July KC -22 and Sept -21 ½, July Chicago Wheat -25 ¼ and September -24

Overnight soybeans fell out of bed down double digits as soon as we opened but did recover some with old crop contracts -5 ½ and November -9. Corn was down 3 to 4. Wheat finished 8 lower in KC and 4 to 6 lower in Chicago.

Wheat has been lower 16 of the last 17 trading days now below the mid April dip and prices have retraced or given back over 50% of the rally that began in early February. The hope is at least some of the recent rains have stopped the deterioration in HRW areas and maybe just maybe slightly improved conditions. SRW areas mostly certainly have improved since coming out of dormancy. Crop tour of southern Illinois soft wheat areas show they expect average yield of 64.68 bushels per acre up from last season's 61.6 bpa and the long term average of 62 bpa.

With corn now breaking all support levels back through March, \$4.50 looks to be a target for quite a few in the market. It is a mixed bag out there this morning with some traders calling for a bump this week and others looking at support every nickel lower and taking a run on the mid-January lows. Ethanol margins are fantastic at over \$1.00/bushel for the 3<sup>rd</sup> quarter and some calculating a nearby margin over \$2/BU. U.S. prices are the most attractive worldwide if buyers are looking to finish off summer months.

Later this afternoon USDA will update crop progress and conditions. Trade is looking for both corn and soybeans planted to be ahead of last year and in line

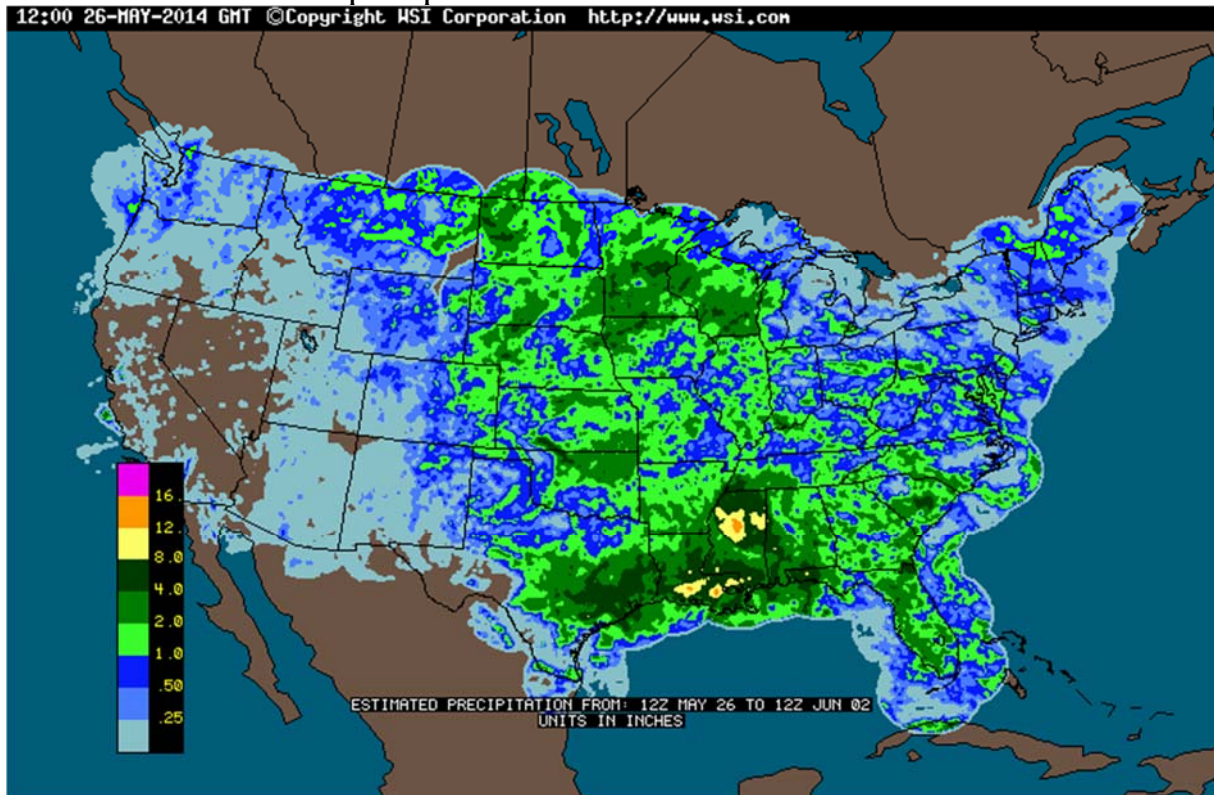
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the long term average with corn 92% to 95% complete and soybeans 75% to 80% complete. Today will also be the first national condition rating for corn with expectations pretty high at 70% to be rated good to excellent.

So far it appears grains will continue on the defensive with the recent moisture received and forecasts calling for more this week especially in the Corn Belt. The 6-10 day maps have normal to below normal temps and normal to above normal precipitation for the Plains and Corn Belt. Above normal temps forecasted for both coasts and below normal precipitation for the West Coast, splitting Colorado and down into most of Texas.

### Last week's estimated precipitation



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