



**Loewen and Associates, Inc.**

**Commodity Consulting/Brokerage**

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## **Morning Ag Markets**

**Pete Loewen**

Live cattle and lean hog futures settled mixed to mostly higher on Monday, but the feeders were solid green across the board, albeit with only mild to moderate gains, yet still positive. There are two highlights regarding feeders that bear mentioning, one being the fact October futures topped the \$199 mark last night. That's the highest price a feeder contract has ever traded and also only \$1.00 from the highly coveted \$200 handle. The second was a sharp gain in the feeder index yesterday afternoon that brought the price up to \$193.87, only \$6.13 away from the \$200 mark.

I have said for a long time that I fully believed we could see at least one futures contract touch that magic \$200 mark, but I didn't really think the cash index would ever see that mark. Well, \$6 and change away from hitting \$200 is certainly within striking distance! Less than 30 days ago I didn't think front month corn could be 62 ½ cents lower either. That has to be a big part of the reasoning for this extra push we have seen in cash lately.

Comparing current spot August feeder futures to the last two year's quotes at the same time shows just how remarkable this rally has been. When looking at total available calf and feeder numbers, they are down compared to the last two years, but not significantly as the futures and cash markets would indicate. August futures settled at \$197.57 yesterday. 2013 August feeders on the first trading day of June were parked at \$144.42, which is \$53.15/cwt lower. 2012 August feeders on the same first trading day of June were at \$157.37 and that's \$40.20/cwt lower. In percentage terms, a year ago the futures market was 27% lower.

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Another comparison would be looking at December Live Cattle, since the heavier feeders placed in July and August will come out of the feedlot against that fed cattle futures contract. The December close yesterday was \$146.07. In 2013 it settled at 124.90 on June 1 and \$127.30 in 2012. Last year compared to this year is 15 ½% lower in fats, compared to the 27% in feeders. Granted, last year the corn price on the December contract was also 19% higher, but first cost losses being bought right now to place on feed range from -\$160/hd up to -\$265/hd. That math doesn't work unless one is either; a) glutton for financial punishment, or b) has a super-huge case of betting on the come, OR maybe c) pencils in corn in the bin and hay in the stockpile as free food for cattle... Either way, at some point down the road, this crazy math is going to haunt some cattle owners when the market finally tanks. I just wish I knew when???

Cattle slg. \_\_\_116,000 +112k wa -9k ya

Choice Cutout \_\_232.43 -.23

Select Cutout \_\_\_221.48 -.42

Feeder Index: \_\_\_193.87 +2.44

Lean Index. \_\_110.46 -.21

Pork cutout \_\_\_118.24 +2.23

IA-S.MN direct avg \_\_108.99 +2.66

Hog slg. \_\_\_ 379,000 +377k wa -20k ya

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Moving on to the grains, the doom and gloom of the wheat market continued, even in the face of corn and beans mounting a mild rally attempt. 13 out of the last 14 sessions at lower money has been more than a little disheartening for HRW wheat producers as crop conditions deteriorated through the majority of that drop.

Export shipments from yesterday morning showed corn at 38.4 mln bushels, wheat at 18.9 mln and beans at 6 mln. That bean number was nearly double the previous week, while wheat was up slightly and corn slipped a small notch.

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Crop Progress and Condition Ratings came out yesterday afternoon and the progress numbers showed a lot more planting progress than anticipated across the board in all grains. Not sure if this is due to a give up on some acres or the fact that timing was critical and more activity took place last week?

Winter wheat conditions were unch at 30 pct G&E and 44 pct P&VP. HRW wheat specifically was up 2 to 14 pct G&E but still unch at 57 pct P&VP. SRW conditions were up 2 at 63 pct G&E while P&VP was off 1 to 8 pct.

Corn planting jumped 7 to 95 pct complete. This leaves 2 mil acres not yet planted in No Dak, Minn, Wisc, and Mich. Conditions came in at a whopping 76 pct G&E with only 2 pct P&VP. Even those northern states were rated 80 to 90 pct G&E, which is amazing given the late planting. Kan and Tex were downgraded and that comes as no surprise.

Bean planting jumped 19 to 78 pct complete. This is 8 ahead of normal and well above what was expected.

Spring wheat seeding was now listed at 88% complete which was dead on with the average for this date. North Dakota was the big laggard coming into this week, but they took a huge jump up to 83% done and that's 2 points ahead of their average.

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