



**Loewen and Associates, Inc.**  
**Commodity Consulting/Brokerage**  
Pete Loewen, Matt Hines,  
Doug Biswell, LaVell Winsor  
866 341 6700  
[www.loewenassociates.com](http://www.loewenassociates.com)

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## **Morning Ag Markets**

### **Pete Loewen**

There was a lot of divergence in the meat complex on Monday. Hogs were under steep pressure with one contract closing limit lower and all the rest of the contracts out all the way through the winter contract months were down \$2.00 or better. Live cattle futures were flat and uneventful with a mildly weaker close on the front end. Feeders were the bullish feature with a couple of contracts up in the triple digits and everything solid green at the close. New all-time highs were scored across the board and then last night there were a couple that topped the \$210 mark as well.

Two very significant events have happened on the cash end of the cattle complex that I think are very positive developments for continued short term support. For starters, last week's negotiated cash hit \$150 in the north, along with \$148 Southern Plains quotes. Secondly, the CME Feeder Cattle Index quote not only breached the \$200 mark in yesterday afternoon's quote, but it blew through it and was pegged at \$202 and that was up over \$3.00 from the previous quote! That's a giant milestone for feeders because not only have futures already very handily surpassed that mark, but now the cash average out in the country has legitimately topped the mark as well.

Back on the live market side of the equation, Kansas and Colorado showlists were down mildly this week, but Texas is up moderately and Nebraska sharply higher. After last week's sharp jump in cash, the bigger overall showlist would maybe appear to side with the packer for leverage, but after last week's clear victory by the cattle feeder, the advantage may still be in their favor.

One last note regarding cash, the Joplin and OK City sales yesterday both posted up to double digit gains compared to last week's prices on feeders and calves,

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plus the national average last week was doubles higher as well on the top end. With the general consensus being that a huge corn crop is a good possibility, plus grazing conditions across a big part of the country in good shape, there's no reason not to believe the market will continue to push higher at least in the short term.

Cattle slg. \_\_\_ 116,000 +3k wa -7k ya

Choice Cutout \_\_\_ 234.24 +2.37

Select Cutout \_\_\_ 226.11 +2.39

Feeder Index: \_\_\_ 202.00 +3.09

Lean Index. \_\_\_ 115.30 +.55

Pork cutout \_\_\_ 123.34 +1.66

IA-S.MN direct avg \_\_\_ 117.45 +.95

Hog slg. \_\_\_ 379,000 +18k wa -11k ya

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Moving on to the grains, futures settled mildly lower across the board. It was a very confusing session for old crop soybean futures in particular. Not only was NOPA crush almost 2 mln bushels larger than anticipated and quite bullish, but export inspections were very large as well. Soybean shipments increased 4 mln bushels to 14.6 mln, which is significantly larger than what should be going out the door this time of year. The cumulative shipped tally now sits at 1.560 bln, meaning it is almost a gimme that the total for the year will meet or exceed USDA's projection. Wheat shipments were weak at 14.6 mln. Corn was off slightly from the previous week as well at 43.4 mln.

Like I indicated, the confusing trade was watching old crop beans leak lower and old/new crop bean spreads really not react at all to the crush or shipment data???

Crop progress and condition data had a negative undertone for the wheat market. Winter wheat harvest is running slightly behind normal, but wet conditions are the primary contributor to that factor. I saw combines running in northern

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Sedgwick County over the weekend in Kansas and hear reports of test cutting within two counties of the Nebraska border in north central Kansas. With this heat and wind, we should be full blown into the cutting in very short order. The official harvested for HRW wheat areas had Kansas at 2%, Texas at 40% and Oklahoma at 47%. All those numbers are behind normal.

Condition ratings in wheat showed winter wheat unchanged at 30% g/ex and 44% p/vp. HRW conditions improved very slightly, but soft wheat is going south a little with g/ex down 1 at 62% and p/vp up 1 at 9%. That's a lot better than the 57% p/vp in the HRW, but we're also hearing reports of quality problems in soft wheat areas from being too wet. Spring wheat ratings were 72% g/ex and only 4% p/vp.

Corn condition ratings jumped 1 point to 76% g/ex and only 4% p/vp. Soybean ratings dropped 1 point out of g/ex to 73% and the p/vp remained unchanged at 4%. Soybean seedings were 92% complete, up from 90 on average and 83% a year ago.

Overnight export news showed 134,500 tonnes of new crop corn sold to Mexico.

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

[peteloewen@cox.net](mailto:peteloewen@cox.net)

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