



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

Tuesday brought us a mostly red day across the livestock and grain pits with the spot hog contract and wheat the only contracts finishing higher. Livestock futures were higher early in the morning but with what can be termed a lackluster trade, futures slipped and closed near or at their lows showing a key reversal on the charts now. Some are saying a lack of bullish support was yesterday's problem but with cash rallies and beef cutouts adding \$2 to \$3 dollars yesterday, a little more green on the board would have been easier to explain. No trade yet for cash cattle this week with asking prices steady to higher but packers are reluctant to pay up for the third week in a row just yet.

Positive news for hog producers as USDA has granted the first conditional license for a vaccine to help slow the spread and effects of PEDv. Harrisvaccines of Ames, IA has been selling the vaccine since late 2013, but just this week was granted the license.

USDA Ag Secretary Vilsack announced that the U.S. and currently our fourth largest market for beef and beef products, Hong Kong, have come to an agreement to open the way for expanded exports.

Cattle slaughter from Tuesday estimated at 117,000 head, even with last week's kill and down 5,000 from a year ago.

Boxed beef cutouts surged higher on moderate demand

Choice Cutout__236.80 +2.56

Select Cutout__229.27 +3.16

Feeder Index:__203.44 +1.44

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Hog slaughter from Tuesday estimated at 380,000 head, down 30,000 from a week ago and down 12,000 from a year ago.

Lean Index. __116.13 +.83

Pork carcass cutout __123.96 +.62

IA-S.MN direct average cash __118.07 +.62

National average cash __117.76 +1.91

Moving onto the grains...

Nasty storms in NE and IA then moving East late Monday and additional rain on some areas that are now begging for it stop wasn't enough for the grains to attract some buyers yesterday. Weather related trade remains to be going to the side saying "Rain makes Grain". July soybeans posted their lowest close in over 12 weeks and July corn posted its lowest close in over four months.

Reading through a corn pit traders comments earlier will give you the full feel of dismal volume..."Just not a lot of interest in this market, and outside of a few very large orders, there is nothing, the small stuff is all on the screen and scooped up by the prop shops as they continue to trade for no edge and it's a game of chicken at this point. Who can last the longest without making any money? There are about 5 firms trying very hard not to make any money, and also making sure no one else does either. On the customer side there are no farmer hedges, no one trading direction with any size, no users stepping in, no fear."

Wheat futures yesterday did hold onto gains despite the pressure on the other pits. This market is way overdue for a bounce higher. Harvest in rolling in Kansas now with South Central areas reporting 10-15 bpa averages at best and the manager of OK Coop Grain Co. in Kiowa stating, "This is probably not even half of what we took in last year, and last year was half of a normal crop."

In Australia, government and private forecasts are already calling for lower wheat production numbers this year. Producers there are holding tight to old crop stocks forcing prices higher. Many of Australia's typical trade partners are looking to the Black Sea region to source wheat now. This week, Japan is looking for the weekly lot of feed wheat as well as Taiwan and the Philippines.

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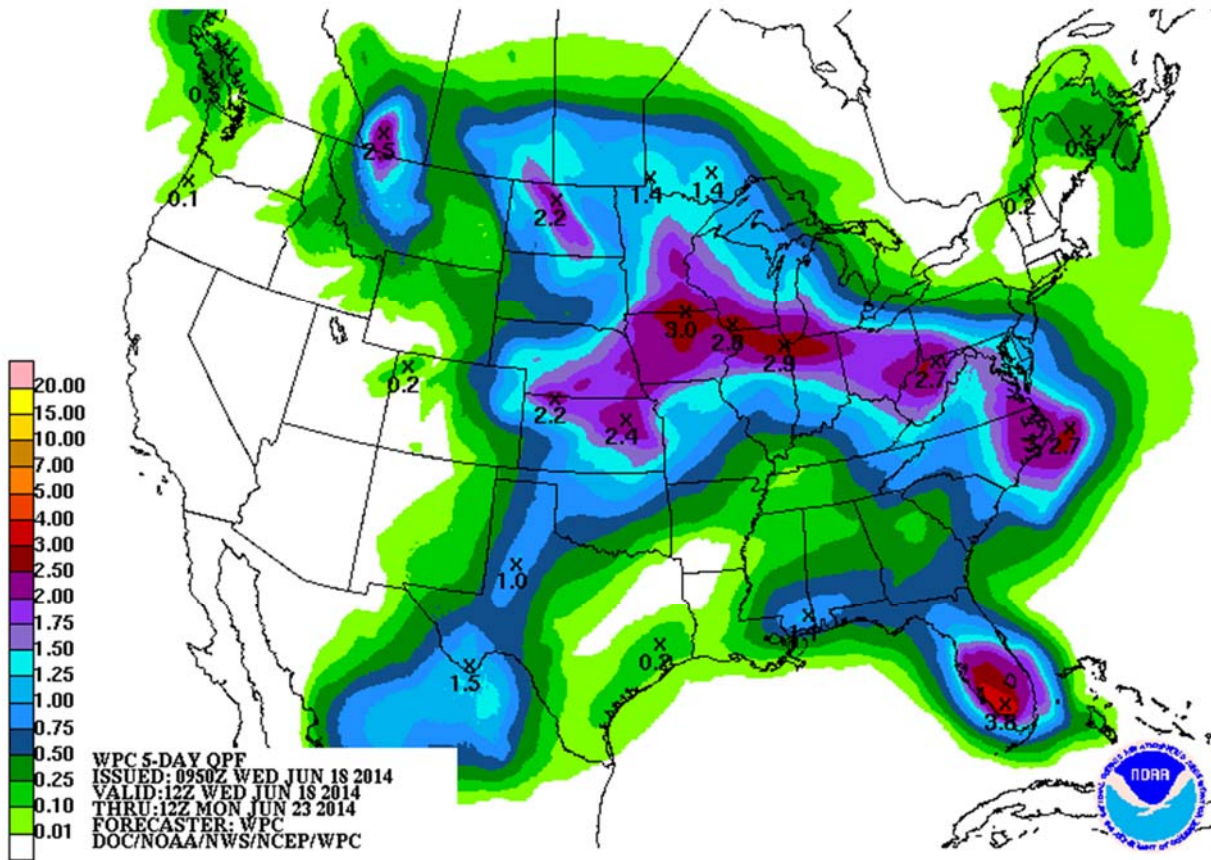
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Overnight grains rebounded a little with corn 1 to 3 higher, soybeans 2 to 10 higher and wheat 2 to 5 higher all 3 pits.

USDA announced this morning a sale of 140,000 MT or 5.1 MBU of new crop soybeans sold for unknown destinations. This is most likely destined for China as rumors started earlier this week that they had purchased a few cargoes for new crop.

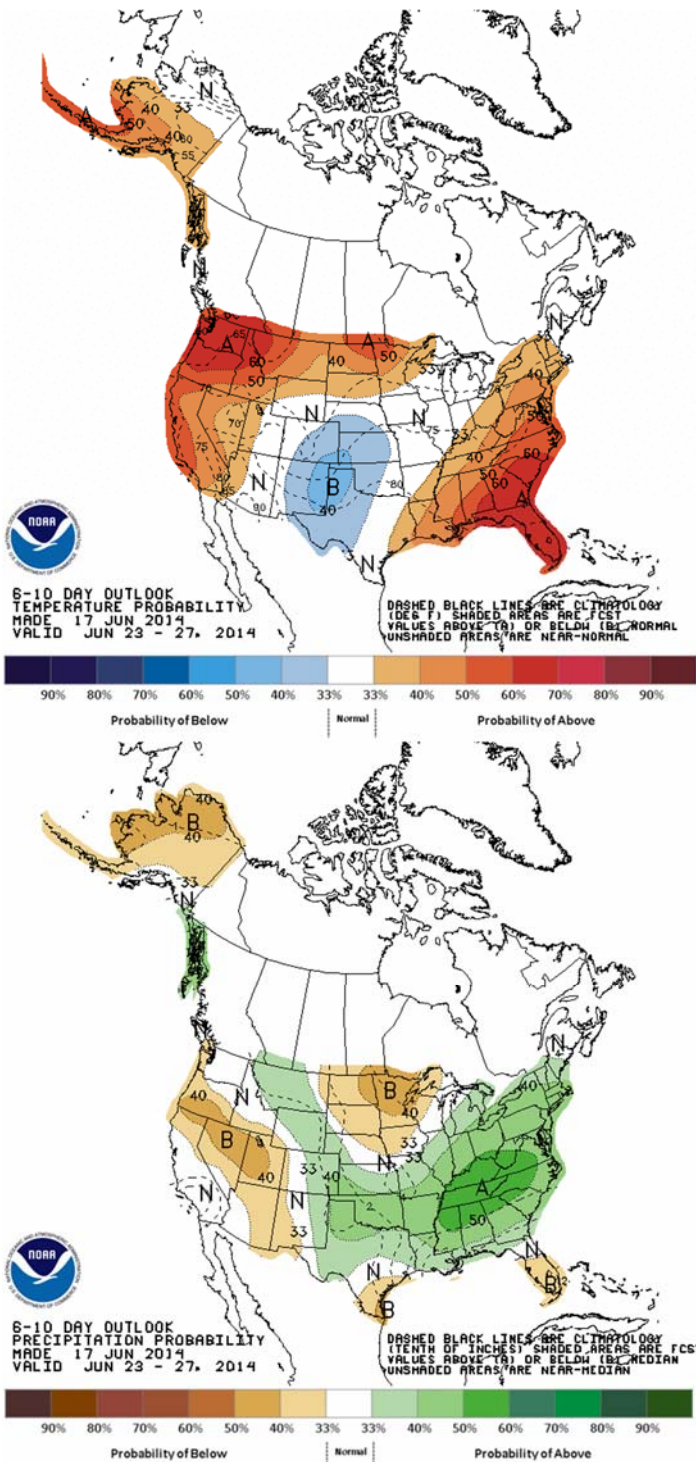
Most in the corn market have 165 as an easy yield target now with talk coming out as high as 170. Technically we have yet to break the lows from this past winter but have retraced or given back almost the entire spring rally. It may take some extreme threatening weather, be it heat and little rain to move this market back higher now. If the lows are broke, look for the Dec contract to test \$4.20 and then the weekly low at \$4.06 ¼ below that.

Next 5 days forecasted precipitation...



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