



**Loewen and Associates, Inc.**

**Commodity Consulting/Brokerage**

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## **Morning Ag Markets**

**Pete Loewen**

Big up day in the cattle complex again on Tuesday with quite a few feeder contracts settling up the \$3.00 limit and live futures pushing up against \$2.00 higher gains on a few contracts as well. The hog market finally took a little bit of a breather after a strong bullish Hog and Pig report induced rally on Monday. The front two contract months were down in the triple digits, but some of the deferreds were still up in the triples.

In the cash feedlot arena, it should be an interesting week of trade. Packers have a short kill week with the holiday in front of us and of course, everyone would LIKE to see things wrapped up well in advance of the weekend. I'm not so sure we'll see that happen though as feedlots have strong leverage based on last week's impressive rally of \$4-\$6 live. The packer would love to see the pendulum swing back in their direction and this is the time of year when the approach of the dog days of summer should be working negatively on domestic demand. That obviously isn't the case yet though as product continues to advance, right along with the cash prices being paid at the feedlot gate.

A big aid to the cattle came from Friday's quarterly hog and pig numbers showing sharply reduced supplies. In my opinion, if it wasn't for the PED induced premiums in hogs, cattle futures, cash and product wouldn't be at near the extreme levels that we are witnessing today. It is hard to be bearish when two of the three main meats have supply issues.

Cattle slg. \_\_\_115,000 unch wa -11k ya  
Choice Cutout\_\_248.13 +.85  
Select Cutout\_\_\_239.50 +.59  
Feeder Index:\_\_\_216.92 +1.67

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Lean Index. \_\_127.51 +.71  
Pork cutout \_\_130.64 -2.89  
IA-S.MN direct avg \_\_126.48 +2.05  
Hog slg. \_\_ 411,000 +12k wa -14k ya

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Moving on to the grains, prices sunk under pressure across the board with KC wheat ironically leading the way to the downside. Hangover from the bearishness of Monday's report was a big driver in the trade, but nothing like it was on Monday with beans taking a 70 cent hit.

Hopefully the reaction from the planting numbers and quarterly stocks are built into the market now with the drop taming down quite a bit yesterday and in the overnight action. Unfortunately though from the farmer's perspective- the market moving into the mode of trading weather and crop conditions means the chance for a continued lower trend to remain intact. The majority of the time wet is better than dry. Secondly, the majority of the time cool is better than hot, especially when moving into the critical pollination period. The Central and Southern Plains are cool and wet right now with a 6-10 day forecast that also calls for below normal temperatures. From a central and southern plains perspective with corn tasseling and pollinating over a broad area right now, we couldn't ask for better conditions. While that's not the Corn Belt, we are still adding significant bushels to the fringe areas around the Corn Belt. Northern Corn Belt farmers don't like the cool and wet so much, but I'll still argue there are far more areas in good shape than in poor shape. That statement is also being backed up very obviously by crop conditions that continue to improve in corn.

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