



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

Livestock futures finished higher yesterday while corn and wheat took another day in the red. All futures traded both sides of unchanged yesterday but all livestock futures found some support by midday and stayed in the green. Packers are trying to hold prices steady to lower while feedlots are still asking for higher prices and cash hog prices are inching higher in the country.

CME Group officials say they're just beginning to take customer feedback and review its electronic trading hours for its hog and cattle contracts. Many users of those contracts say a cut back in the number of hours of electronic trading could help lower volatility as more trades would be concentrated in shorter trading period. The current system of trading 23 hours a day as actually decreased the liquidity or spread it to thin compared to a simple overnight and day session of the past.

Cattle slaughter from Tuesday estimated at 116,000 head, down 1,000 from a week ago and down 8,000 from a year ago.

Boxed beef cutouts lower on light demand

Choice Cutout__250.53 -.61

Select Cutout__243.46 -.96

Feeder Index:___216.77 -.85

Hog slaughter from Tuesday estimated at 397,000 head, down 6,000 from a week ago and a year ago.

Lean Index.___133.36 +.58

Pork carcass cutout___135.18 +.33

IA-S.MN direct avg__132.18 -.84

National cash avg__131.17 +.77

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Moving on to the grains,

After Monday's USDA report with improving corn crop conditions and stable soybean conditions, overnight prices were all in the red. When the pits opened yesterday morning the selling continued. Corn futures chopped around during the day session in a tight nickel range. The leader lower throughout the day was in the soybean pit with August down 57 cents at one point, but they made a miraculous turnaround and closed near their highs, still double digits lower in August but new crop contracts made it back to unchanged. NOPA monthly crush data was below expectations at 118.7 MBU of soybeans processed in June compared to 128.8 MBU in May and 119.1 last June. Meal exports dropped from 465,000 tons in May to 388,000 tons in June.

In the wheat pits the KC/Chicago spread was brought in some 7 cents but still very wide at \$1 plus. Middle East importers are in for over 400,000 MT of wheat this week but don't expect the U.S. to secure any of that business still with our prices still uncompetitive. Russian wheat harvest is behind schedule at only 11% complete to date but early yields are already running ahead of last year's pace.

Overnight the grains finally got a bounce higher, corn up 5 to 6, soybeans up 7 to 9 and wheat up 2 to 5 in all three pits.

In reading through other commentary this morning here's one that struck me as grasping for reasoning...

“Grain markets higher this morning after yesterday's big break. Support coming from the persistent oversold conditions, user pricing and some talk about the drier weather the Corn Belt will see over the next few days.”

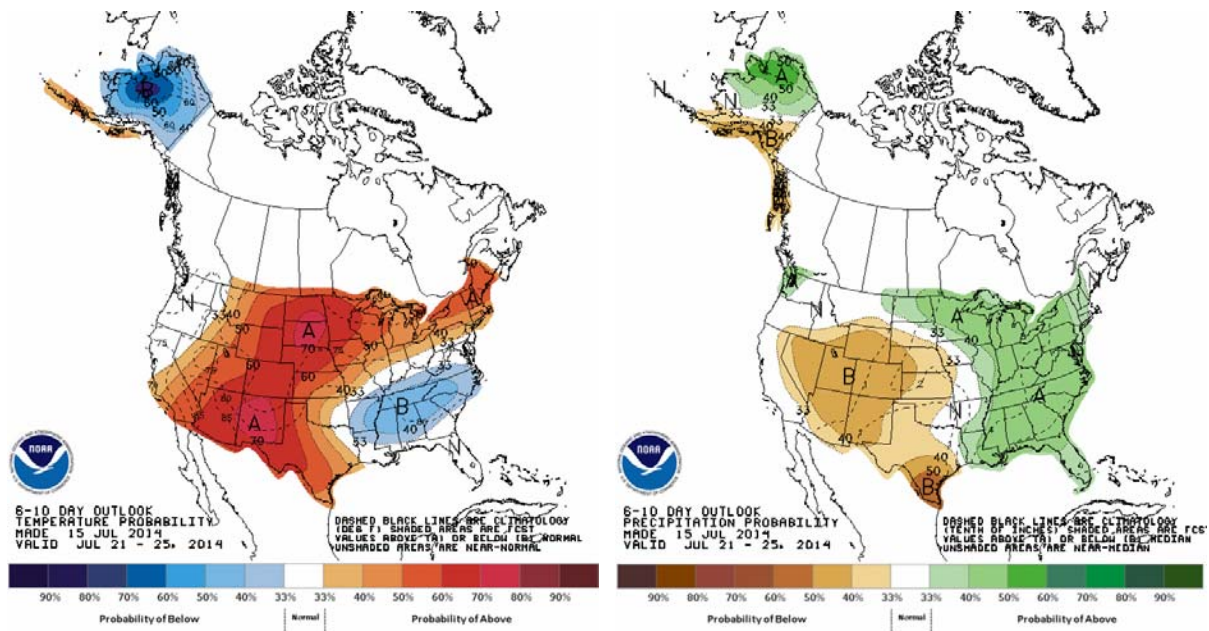
Now I do agree with part of these comments expect for the last portion, “talk about drier weather”? All the bulls have talked about since this crop was planted was too wet and too cool conditions, don't you think the Corn Belt could use a little drying out then? The weather has been near ideal, yes we have patches here and there too wet, too dry, too hot and too cool, but it is the middle of July and corn conditions are 76% good to excellent!

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Now, what might get some additional gains today is the 120,000 MT of old crop soybeans sold to China this morning, yes I said old crop. In addition to that, 240,000 MT of new crop soybeans and over 210,000 MT of new crop corn sold for unknown destinations.

The next 5 days are forecasting 3 to 5 inches from the Texas Panhandle east through Arkansas along with ½ inch plus in the Eastern Corn Belt. The 6-10 day maps show normal to above normal precipitation for the entire Eastern half of the United States.



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