Loewen and Associates, Inc.
Commodity Consulting/Brokerage
Pete Loewen, Matt Hines,
Doug Biswell, LaVell Winsor
866 341 6700
www.loewenassociates.com

Date: 08.14.2014

Morning Ag Markets

Pete Loewen

Another day of red ink in the cattle complex really set the market participants on their heels wondering if this time we've seen the high for real?? The price scope of this drop so far compared to the last major downturn in early July is very comparable in feeders, but the drop so far in live cattle is considerably larger than the one in July. That's the reason this fallout compared to the one in July is gaining so much more attention and creating the worry that it might actually be over this time. Cash feedlot activity picked up slightly on Wednesday with $155 trading some in Kansas and $155 live in Nebraska as well along with some $244 dressed. On the hoof, that business is $5 lower than last week and on the rail it is down $8.00.

A growing dilemma for those looking for replacements at the feedlot level is that the drop in live futures outpacing feeders is also creating a widening negative gap in the cattle crush. Average first cost losses for 700-750 lb steers and heifers stepping up to the bunk for the first time are just north of -$300/hd when death loss, shrink, interest, feed and all other costs are taken into account. Buying first cost losses have ironically worked out decent sometimes previously as futures rallied, corn moved lower and cash cattle basis was extremely strong. What happens though when this same bet-on-the-come crowd owns steep first cost losses and corn stays steady or rises and live cattle continue lower?? The unfortunate answer to that question is the potential for near historic losses if the futures and cash drops continue at the current pace. For their sake, I hope this market finds support and moves back significantly higher. If not, it will be a tough lesson and rude awakening to the benefits of knowing how to buy cattle right and risk manage things properly.

Cattle slg.___115,000 unch wa -8k ya

Choice Cutout__256.88 -1.27
Select Cutout___249.55 -3.58
Feeder Index:___222.97 +.42
Lean Index.__117.88 -.98
Pork cutout___114.48 -2.54
IA-S.MN direct avg__107.46 -3.00
Hog slg.___ 408,000 +3k wa   -20k ya

****

Moving on to the grains, corn futures managed to squeak out mild gains on all except the front end September contract yesterday, but wheat and soybeans were actively lower. The general theme of all three of these markets seems to be one of continued pressure with more down days than up days unless and until we see some sort of major production issue surface either here or somewhere else in the world. EU wheat quality issues didn't move the market much. A short HRW wheat crop in the US hasn't moved it as we might have anticipated either. Because of all this the general attitude still seems to be one of a bearish consensus.

6-10's last night kept the same theme of normal to above temps and normal to above precip. That might not be the best forecast for central and southern soybeans from a temperature standpoint, but as long as moisture holds up, it isn't a threatening forecast either. The northern crop areas will welcome any heat they can get.

Weekly export sales numbers this morning were neutral to negative wheat, bullish beans once again and bearish for corn. The old crop corn sales number was -4.6 mln from more cancellations than new sales. New crop corn sales were 31 mln. Wheat sales were 12.4 mln old and zero new. Soybean sales were +2.3 mln old crop and 39.7 new, which is bullish on both ends. Cumulative commitments on new crop are 664.8 mln bushels and the old crop total is 56.8 mln bushels over USDA's projection for the marketing year already. That's bullish old crop any way you slice it, but with new crop coming on fast and 84+ mln acres planted and generally in great condition, the pressure of bearish new crop still the biggest threat to futures.

Pete Loewen
Loewen and Associates, Inc.
Pete Loewen / Matt Hines / Doug Biswell / LaVell Winsor
www.loewenassociates.com

peteloewen@cox.net
866 341 6700