



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Morning Ag Markets

Pete Loewen

Steep drop in the livestock sector again yesterday with the feeder market leading the charge lower on some limit down closes. Hogs and live cattle weren't very far behind as both of those markets had contracts down \$2.00 or more at the finish.

The leader of the meats on the fundamental and total price side of the drop over the last month or more has clearly been the hogs, but the live and feeder markets have had their fair share of mishaps lately again as well. Ia-S.Mn cash hog trade has been down every single day this month. Pork cutouts down 8 out of the last 9 days. Cash feedlot trade in the cattle are down \$8 from the first week, the feeder cattle index lower in every daily quote through August but two and choice cutouts in cattle are down 11 out of the last 14 days. Throw all that fundamental negativeness on top of what the futures have been doing and it paints a very grim picture of the current environment.

With all that being said though, there is no denying that overall cattle numbers are still smaller than previous years and that demand continues to provide weekly auction prices on calves and feeders that are off the charts in a few select areas. There is also a pretty strong consensus that when the weather turns cooler and the seasons change that PED virus will be flaring up in hogs again, taking more numbers out of the mix. It's probably not time to get long term super bearish to the meats, but there is also no denying these markets overextended severely to the upside and have been long, long overdue for a correction like this to the downside.

Cattle slg. ___113,000 -2k wa -10k ya

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Choice Cutout__251.55 -1.36

Select Cutout__243.07 -.84

Feeder Index:___219.46 -.65

Lean Index.___109.25

Pork cutout___107.25 -2.41

IA-S.MN direct avg__96.68 -2.86

Hog slg.___ 401,000 -7k wa -29k ya

Moving on to the grains, it was an interesting mix of comments coming out of the crop tour participants yesterday. Some giant yields were posted, which is what was widely expected from the Illinois and Iowa areas, but there were also some very average numbers and even some low one's coming out of those states as well. The big number stories still outweighed the small numbers though and the response from futures was lower.

The front end spot soybean futures has enjoyed a strong surge of bull spreading thanks to an extreme push in old crop bean basis and demand in certain regions. Ironically, that contract still closed lower by ½ cent yesterday, but the sep/nov spread still widened in favor of the sep by 14 ¼.

Quite a bit of news to cover this morning with weekly export sales coming out as well as stats Canada crop production figures. Those production numbers showed sharp declines in the estimates compared to last year's numbers with all wheat down just shy of 10 mmt's compared to last year. Oats were down over 1 mmt's, barley just over 3 mmt's and canola down 4 mmt's and change. Pretty friendly numbers in my opinion.

Export sales were a solid lineup of bearishness across the board to balance out the bull and bear bias for the day. Corn sales were 3.9 mln old crop and 28.3 new. Beans sales were -3.9 mln old crop and 52.2 mln new. Wheat sales were only 7.7 mln bushels. The new crop bean number was good granted, but this was the first week in a long, long time that old crop sales were negative. In the BIG picture it really isn't bearish because the cumulative total is still so big, but the knee jerk reaction might add some pressure.

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6-10's last night showed normal to below temps and above normal precip over the vast majority of the major corn and bean areas in the country. After this week's temps, I'm hoping that forecast holds true and gives us some relief in KS.

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