Loewen and Associates

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

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Morning Ag Markets

Matt Hines

What we thought may have been a recovery Monday for the livestock futures appears to have been just a hiccup as they were hit hard again yesterday with some contracts finishing the $3 limit lower while grains finished mixed after a hotly discussed August crop report. Hog slaughter is expected to top 2 Mil head this week as cash and futures continue to plummet and spill over pressure into the cattle pits. Late yesterday afternoon, cattle traded in NE at $245 to $248 on a dressed basis, down to $4-$7 from last week and calcing out to $155 to $154 live or a basis of $6 over. Packers seem to have all the power the past couple weeks pressing prices lower and in regard to futures the bulls may be running out of steam. The inability for cattle markets to hold onto Monday’s gains may lead to additional liquidation.

Cattle slaughter from Tuesday estimated at 116,000 head, up 1,000 from last week but down 7,000 from a year ago.

Boxed beef cutouts lower on Choice and higher on Select on light to moderate demand.
Choice Cutout__258.15 -1.29
Select Cutout___253.15 +1.51
Feeder Index:___222.55 -.54

Hog slaughter from Tuesday estimated at 408,000 head up 8,000 from a week ago but down 11,000 from a year ago.

Lean Index.__118.86 -1.05, -6.96 so far this month with more to come
Pork carcass cutout__117.02 -3.50
IA-S.MN direct avg__110.46 -3.35
National cash avg__110.19 -2.07

Overnight pressure continued on the livestock futures but by this morning futures recovered some and are currently mixed looking for further direction…
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USDA's August crop production, supply and demand reports weren't filled with too many surprises but bearish enough with new crop ending stocks for soybeans at an whopping 430 MBU compared to this year's 140 MBU to pressure all grains lower for most of the day. The only adjustment to new crop soybeans was an increase in yield up to 45.4 BPA which increased production by 16 MBU and increased the ending stocks. USDA having some more fun with the old crop "slush fund" on soybeans which seems a little trivial by now. Imports were decreased by 5 MBU, exports increased by 20 MBU. The final adjustment was a 25 MBU decrease of an already negative residual with seed remaining at 99 MBU and that "slush fund" now at -94 MBU as they continue to make up for an underestimated crop size last year.

Corn could have been higher with most expecting a yield at 170 BPA but coming in at 167.4 BPA and world stocks slightly lower even with the higher production estimates compared to a month ago for the US and EU. Corn ending stocks changed more for old crop than new with an increase in ethanol by 45 MBU and exports by 20 MBU, both a little hard to fathom this late in the crop year with both under this current pace. This decreased ending stocks by 65 MBU to 1.181 BBU.

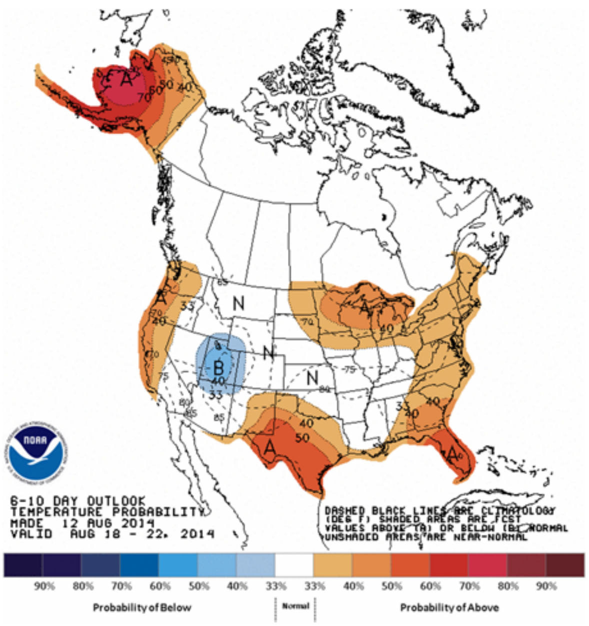
Wheat had a few changes made to the U.S. balance sheet this month. Yield for this current crop year was raised .8 BPA increasing production 38 MBU. Ending stocks were only increased by 3 MBU though with an increases to exports and feed usage. Exports up from 900 MBU to 925 MBU can be justified with U.S. wheat working very well into Central and South America and milling quality wheat concerns worldwide that could lead to the U.S. securing some additional business there. Increasing feed usage though is a stretch with corn in the $3 and a projected U.S. corn crop over 14 BBU now. World ending stocks jumped up 3.42 MMT though with production increases in China, Russia and Ukraine.

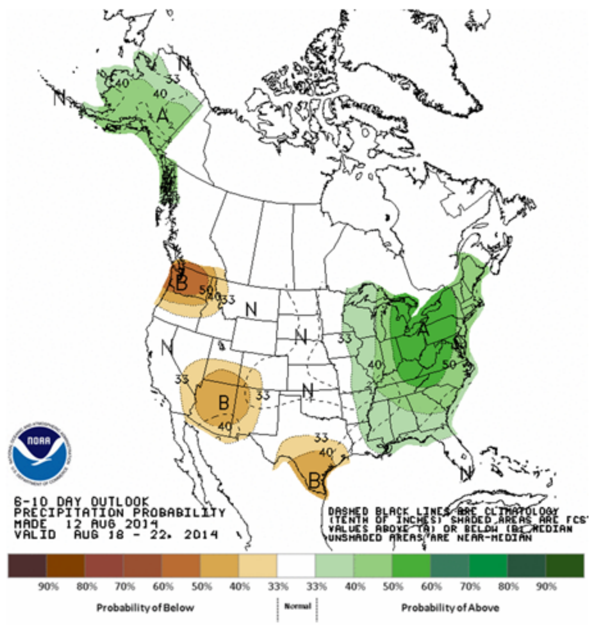
USDA announced this morning 107,600 MT new crop corn sold to Mexico and 130,000 sold for unknown destinations.

August soybeans expire tomorrow which will be interesting to see how inverted this old crop vs new crop will go off at, I don't think we have any chance of closing that gap though especially as the fundamentals for soybeans continue to pressure prices.

December Corn did reach a new contract low at 3.58 before the report yesterday but made a nice reversal after. Until it can break 3.75 and then 3.78 though I would next expect prices to get to crazy. The yield projection by USDA was based on survey data and plant population only for all areas currently not picking corn. Once they are able to weigh ears and count kernels for the major producing areas I feel there is a good chance yield can increase and maybe get above that 170 national average.

Now that the report is behind us it is back to the weather for leading these markets. Rain over the next few days is forecasted but very light with 1 to 1 ½ inches for the Northern Plains and ½ to 1 inch for the Corn Belt. The 6-10 day maps have normal to above normal temps with normal precip for the central US and above for the eastern third.





Loewen and Associates, Inc.
Pete Loewen / Matt Hines / Doug Biswell / LaVell Winsor
www.loewenassociates.com
peteloewen@cox.net
matthines1@cox.net
866-341-6700