



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets **Matt Hines**

Friday was a decent turnaround higher for cattle futures to the end the week. After the close the monthly Cattle on Feed report can be viewed as slightly bearish with higher cattle on feed and placements than expectations along with lower marketings. Cattle on feed as of Aug 1 at 9,837,000 head, 98.1% compared to a year ago with pre report expectations at 97.5%. The Corn Belt states appear to be the area that is expanding with IA reported at 107%, MN at 106%, SD at 106% and NE at 107%. Whereas, the Feedlots in the Southern High Plains states such as Texas was at 99%, Kansas at 95% and Oklahoma reported at 84% of the previous year. Animals Placed on feed during July was well below year earlier levels at 1,560,000 head, 92.6% of the previous year compared to expectations at 90.5%. Cattle marketed during July are forecast to be 1,786,000 head, 90.7% compared to last year and pre report estimates at 92%. Light weight cattle continue to directly enter the feedlots though with Under 600 lb at 109% and 600-699 lb at 96% compared to 700-799 lb at 80% and Over 800lb at 90%.

Also reported Friday afternoon was the cold STORAGE inventory with all meat stocks higher than a month ago versus expectations of lower stocks on hand.

COLD STORAGE – July 31, 2014

- Total poultry supplies up 7% from last month, but down 14% from last year
- Chicken up 8% from last month and down 13% from last year
- Total beef up 2% from last month and down 21% from last year
- Total pork down 2% from last month and down 3% from last year

For the week, August live cattle finished up \$1.25, August feeders down \$1.12 and October lean hogs -\$2.07.

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Cattle slaughter from Friday estimated at 115,000 head, up 3,000 from a week ago but down 5,000 from a year ago. For the week, 590,000 head, up 13,000 from a week ago but down 46,000 from a year ago. Our year to date difference remains at 7.0% less.

Boxed beef cutouts lower on light demand

Choice Cutout__249.77 -.69

Select Cutout__239.66 -1.16

Feeder Index:__218.18 -.09

Hog slaughter from Friday estimated at 345,000 head, down 50,000 from a week ago and down 83,000 from a year ago. For the week, 1,991,000 head, down 26,000 from the week previous and down 213,000 from a year ago. Year to date difference out to 5.0% less now.

Lean Index.__104.99 -2.20

Pork carcass cutout__103.60 -2.58

IA-S.MN direct avg__95.30 -.59

Opening calls this morning are mixed, I will call them lower though. Cash calls are steady to \$2 lower for both cattle and hogs. August feeders go off the board this Thursday and the gap between the index and board has come in to only a \$2 cash premium now. I wouldn't expect much activity there but look for fall months to hold \$205-208 support.

Moving on to the grains,

Friday was a higher day as well in the grain pits with wheat the leader. KC and MPLS finished the day double digits higher as no one wanted to enter the weekend short. Russia and Ukraine tensions lead the news stories along with milling quality concerns as France, the EU's #1 exporter is now importing from the UK and Lithuania. The Pro Farmer crop tour wrapped up last week with yield checks and pod counts higher as expected than a year ago. Their final estimate for corn was 169.3 bpa with production at 14.093 BBU. Their soybean yield was just under USDA's though at 45.35 bpa with production at 3.812 BBU.

For the week, December corn finished $-\$.05 \frac{1}{2}$, November soybeans $-\$.10$, September KC wheat $+\$.13 \frac{3}{4}$, and September Chicago wheat $+\frac{3}{4}$ of a penny.

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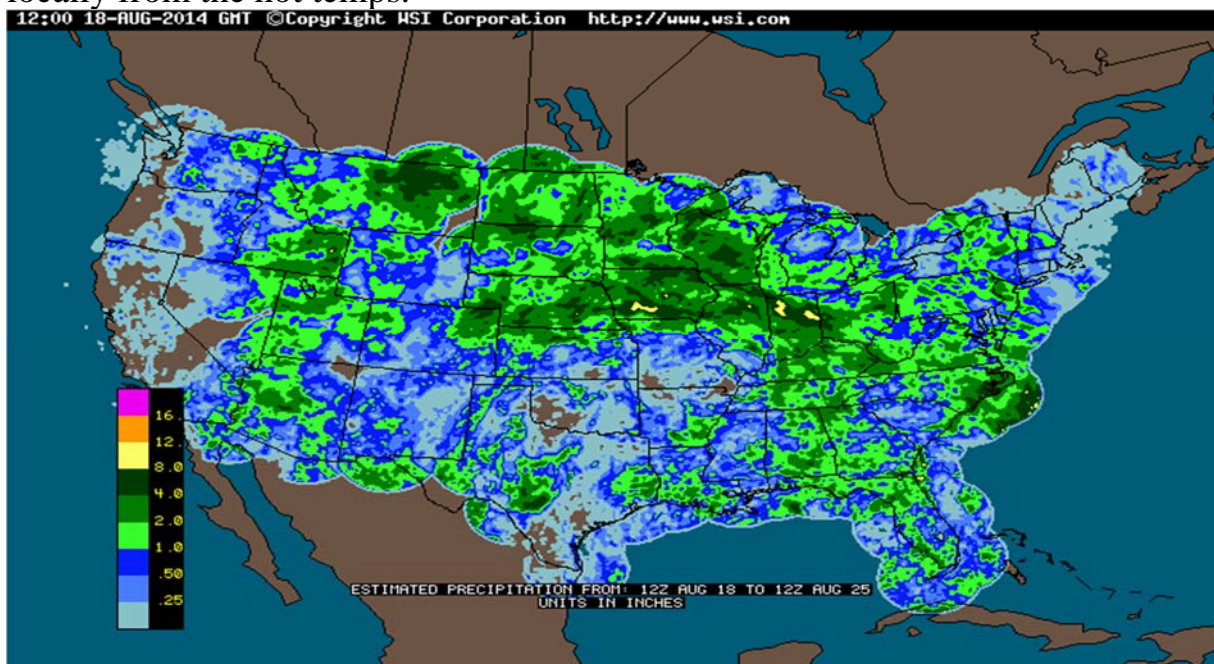
Overnight grains were mixed to lower. Wheat finished up 1 to down 2 and looking for direction this morning. Corn finished 3 lower. September soybeans up 8 but November forward down 7. There are only 2,000 contracts left in September which could still be there when the delivery process starts the end of this week. All cash bids have been based off November for some time now as exporters and crushers try to get the few remaining old crop beans pulled in with basis levels running above \$3 over in some parts.

Early corn yields coming in from the SE are impressive with places in LA and MO reporting over 200 bpa corn.

Crop conditions released later today should show 1-2 points lower for both corn and soybeans.

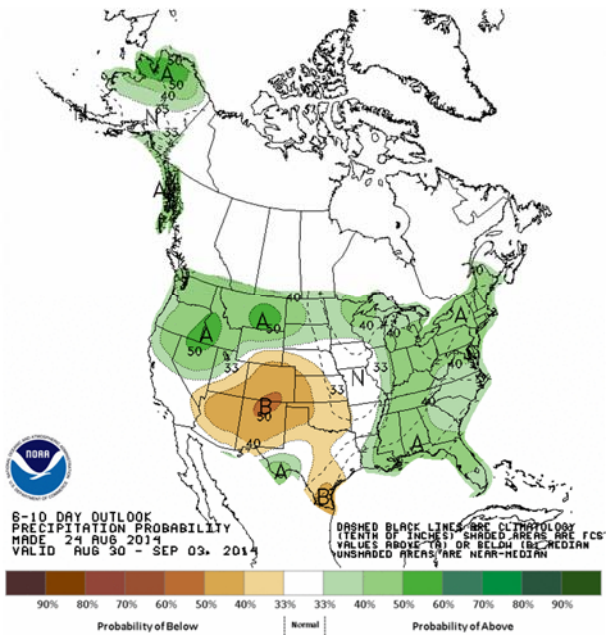
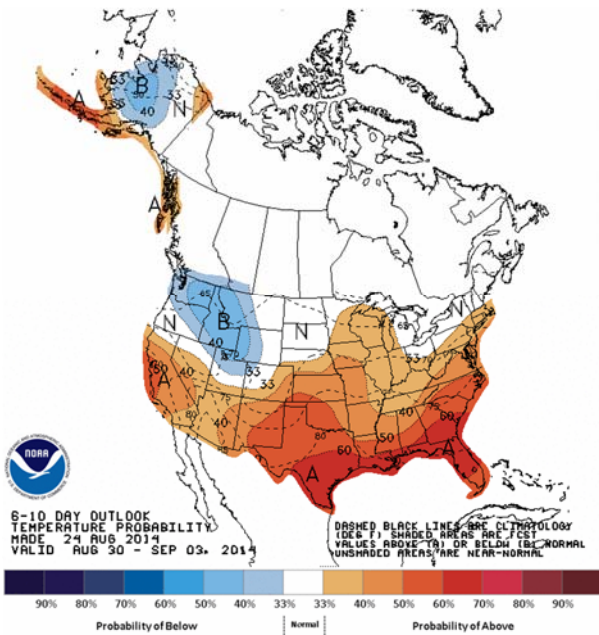
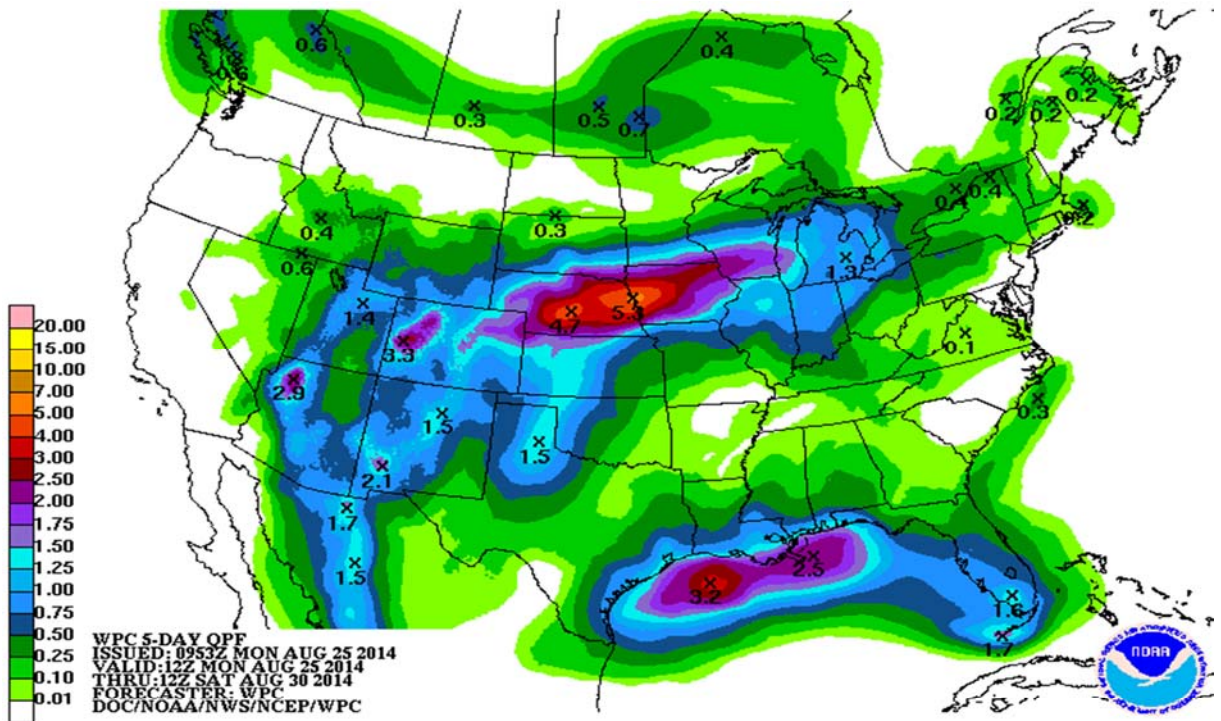
December corn remains range bound between \$3.60 and \$3.80. November soybeans hit a new contract low again this past week at \$10.32 ½ with the next support line at \$10. Resistance is a down trending line that pushes below \$10.50 this week. September KC wheat made a nice turn around last week but still has some \$.20 to go for a real breakout higher.

Rains did come through in many areas in the Corn Belt over the weekend. This week's forecast looks to hold to the above normal precipitation and a break locally from the hot temps.



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