



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Date: 09.18.2014

Morning Ag Markets

Pete Loewen

Big disconnect in the cattle complex from the slow Monday and Tuesday action as live and feeder contracts gained in the triple digits and hogs lost in the triples. Not a lot of news to share as cash still remains largely untested and the rest is just anticipation of Friday's monthly On Feed numbers.

The average guesses for that report have COF September 1 pegged at 98.8% of a year ago. Placements in August are projected at 95.5% of last year and marketings at 91.5%.

The slide that began yesterday in the hogs continued overnight and carries with it significant concern for the entire meat complex. If hogs go back and test their August lows and carry a normal seasonal increase in numbers and drop in price this fall, the cattle market might be in trouble. Why do I say that?? Retail beef prices jumped 30 cents on choice cuts during August and that is the largest single month bounce in more than 30 years. If pork moves lower and beef is setting all time new records, I don't think the domestic consumer market will put up with that price disparity for long. It is very important for the beef market- that the hog market doesn't tank again into fall and winter. That could be a big limiting factor for beef price.

Cattle slg.____112,000 -2k wa -12k ya

Choice Cutout____245.91 -1.73

Select Cutout____232.32 -.64

Feeder Index:____230.20 +.15

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Lean Index.___104.15 +.97

Pork cutout___110.11 -.64

IA-S.MN direct avg___104.56 -.10

Hog slg.___ 416,000 +3k wa -13k ya

Moving on to the grains, it was a very lackluster day of trade with different markets heading in different directions and the odd thing was, they were all very decisive in their movement, yet none of the net changes were very large. Case in point, corn was up mildly across the board, beans down mildly, KC wheat was down a little, Chicago up a little and Minneapolis finished down mildly. With the net changes so narrow, I assumed we would see something mixed, but that wasn't the case.

Grain news was scarce with more of the same business of watching continued large yield reports in both corn and soybeans. The one saving grace that provided the mildly higher finish in beans was a 620,000 mt bean sale reported to China in the 8 a.m. reporting. Of course there was also a lot of skepticism about that announcement because we also just had a Chinese delegation here talking about soybean trade and as usual they made a sizable commitment while on the visit. This happens just about every year. Regardless, the market might have received a tiny bit of traction from it, but it wasn't lasting as prices were right back to lower in the overnight trade.

Export sales numbers this morning were bearish wheat, friendly beans and neutral to maybe a little negative on corn. Corn sales were 26 mln bushels, soybeans were 53.9 mln and wheat 11.6 mln.

Adding to the friendliness of the weekly sales numbers, we had the big 620k tonne sale reported yesterday morning and another 110k tonnes of beans reported sold to China this morning again.

Aside from the export news, there is a constant barrage of harvest reports with the vast majority showing unbelievably good corn and soybean yields. Mixed in with those reports though are a growing number of frost/freeze damage concerns ranging from northern parts of Kansas all the way up through the Dakotas. Those temps definitely took some top end off yield potential in some

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areas but until the combines pull into the fields, I'm not sure the market is going to react to them much. It's coming though...

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