



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Morning Ag Markets

Pete Loewen

Big jump again yesterday in the live and feeder cattle markets. There weren't any contracts that settled up the limit like there was on Friday, but quite a few were well over the \$2.00+ mark at the close. With product trade in a tailspin until mild support was found yesterday, packer margins have retreated very rapidly. Packers also weren't able to come to terms with feedlots last week in the negotiated cash trade, so there really wasn't any volume of trade established. After watching the board rally hard for two days and then again nicely overnight, I'm sure the packer is squirming knowing feedlots will have no desire to give in to anything except better money than the last round. More power to the feedlot because the leverage should be solidly in the seller's court.

Looking at the hog market action and the quarterly report from Friday, there was maybe a slight tinge of bearishness just based on the actual breeding and market hog numbers being bigger than expected. In the bigger picture though on short term supplies being tight versus bigger breeding expectations down the road, the market structure was already firmly set and accurate. Lean hog futures didn't move much in any direction, but at the close the front months were extending their gains on the back end. Spot October hogs finished with a \$17.82 cent premium to the April contract and that's a giant gap between current prices versus the expectations just 7 months down the road.

Cattle slg. ___ 115,000 -1k wa -6k ya

Choice Cutout ___ 238.02 +.36

Select Cutout ___ 226.83 +1.35

Feeder Index: ___ 233.44 +2.96

Lean Index. ___ 108.30 +.66

Pork cutout ___ 120.69 +2.06

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IA-S.MN direct avg__108.44 -.51
Hog slg.___ 376,000 -34k wa -58k ya

Moving on to the grains, short covering ahead of this morning's quarterly stocks report allowed for a nice bounce across all the markets. Soybeans were the leader, but after the beating they have taken at times recently, they also needed the bump more than the corn and wheat markets. I'm really not going to chalk the higher market up to anything else as fundamentals are still very solidly in the bear camp with continued big yields being reported as harvest progresses. Of course with a fresh influx of potential market moving news coming with the report at 11:00 this morning, anything is fair game today.

There are two things to hash over this morning; one being report estimates and the other the crop progress numbers from yesterday. Report guesses are pretty cut and dried and the same stuff I have been giving you for the last week□
Quarterly stocks in corn are expected at 1.181 bln, 130 mln in beans and 1.894 in wheat. Keep in mind these corn and soybean numbers are also the final carryout figures for old crop, so they will go straight to the bottom line of the old crop S&D tables.

Crop condition numbers yesterday had a very strong doses of bearishness attached to the corn and soybean ratings. Why do I say that? Because even with crops turning brown and maturing, the condition ratings aren't sliding at all, which is usually what happens as crops mature and lose that green luster! Corn g/ex numbers were 73% with p/vp stuck at 7%. Soybean ratings actually took one point away from very poor and added it to excellent, moving the g/ex total up one notch this week to 72%. Just 6% of the beans are p/vp. 10% of the beans are harvested nationwide compared to 17% on average. Corn harvest was 12% complete versus 23% on average.

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