



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Morning Ag Markets

Pete Loewen

Monday was one of those days that just lacked any logical fundamental explanation across a lot of the markets. The big picture bias across the ag sector is bullish cattle and bearish grain. Granted, the live cattle futures were higher, which matched the bias, but feeder cattle futures were actively lower at times and closed moderately lower. Grains were all higher, with soybeans actually having a couple of contracts that settled 30 better. Corn and wheat were strong as well, albeit nothing like the beans.

Back to the cattle, we all know that the negotiated cash feedlot trade that was established last week was higher and futures were on a rampage up as well. Joplin and OK City auction prices were as much as \$10 higher yesterday despite the uneasiness in futures. What I'm trying to point out is that sometime when markets move on a short term basis counter to the direction the fundamentals point and counter to their recent trend, sometimes you just chalk that up to technical correction. Case in point, feeder futures are up over \$1 this morning and the live market was still chugging higher last night as well.

Cattle slg. ___ 114,000 -1k wa -2k ya

Choice Cutout ___ 241.36 +3.04

Select Cutout ___ 229.38 +3.02

Feeder Index: ___ 236.91 +.49

Lean Index. ___ 109.54 -.14

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Pork cutout__124.45 +.70

IA-S.MN direct avg__104.47 -3.19

Hog slg.___ 425,000 +55k wa -8k ya

On a final note regarding the livestock this morning, effective October 27th the CME is reducing the current electronic trading hours in livestock and essentially eliminating the current 23 hour per day trade that is going on now. Basically they are taking away the night trade and the new hours are 9:05 am to 4 pm Monday, 8am to 4pm Tuesday through Thursday and 8 to 1:55pm on Friday. Very, very smart move on CME's part as the liquidity in 23 hour per day trade is terrible. Their smartest move would have been to go back to 9:05-1:00 trading hours, which I could argue might even improve volume, but at least this is a step in the right direction. Baby steps...

Moving on to the grains, whether it was active weakness in the dollar index or just a corrective bounce in an otherwise bearish market, there weren't any farmers complaining about the price action yesterday with beans up very strong and the corn and wheat trade moderately higher and all showing nice gains. Not unlike feeders that moved counter to the fundamentals and were right back in business higher this morning, grains were up yesterday and lost all their steam in the overnight action.

Crop progress and condition data from yesterday showed corn conditions unchanged in the overall g/ex category at 74%, but excellent gained a point and good lost one. Soybeans pulled one out of fair and moved it up to excellent making 73% of the bean crop coming in at the g/ex level. Harvest progress was difficult to compare because last year at the same time the government was shut down and they weren't reporting numbers. Both corn and beans were a little lighter than expected on % complete with corn at 17% done, just 5 points farther along than the previous week. Beans were 20% done, up 10% from a week ago. Winter wheat seedings were pegged at 56% complete versus 53% on average for this time of year, but it was 13% farther along than the previous week.

At the end of the week on Friday the October crop production report will be released. Early guesses on corn and soybean yield are 174.6 bu/ac on corn versus 171.7 last month. Soybeans are pegged at 47.5 bu/ac versus 46.6 last month. The total production guess off of those yield numbers is 14.506 bln corn

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and 3.976 in beans. The reality of the situation is that this year's corn and soybean crops are going to continue to get bigger, it's just a matter of how fast and by how much...

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