



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Date: 10.09.2014

Morning Ag Markets

Pete Loewen

Meat complex trade continued the bullish theme, posting new all time highs in live cattle trade and feeders finished up, but not into new highs on all months. The macro picture remains unchanged in the ag sector with grains bearish and cattle bullish, although the day-to-day trading isn't always headed in those exact directions.

Cash is up once again in the feeder cattle and calf market trade and I would fully expect feedlot cash to take another jump this week as well. The beef processor is trying hard to push margins into a better level. After cutouts struggled through most of the month of September, they started to slowly rebound this month and that push higher accelerated over the last three days. Choice was quoted up 3.04 on Monday, 2.74 Tuesday and another 2.67 yesterday. Select was up 3.02, 3.09 and 2.22 over the same timeframe. Whether packers will be able to move much product at those levels is the biggest question. In the export channels it has to be getting much more difficult to gain continued interest since the dollar has performed so much stronger relative to other foreign currencies lately. The dollar index has had a big correction lower over the past three sessions, but from early July to the first couple of days of October the rally was enormous!

Cattle slg. ___ 113,000 -1k wa -11k ya

Choice Cutout ___ 246.55 +2.67

Select Cutout ___ 234.48 +2.22

Feeder Index: ___ 238.01 +.44

Lean Index. ___ 110.46 +.55

Pork cutout ___ 123.53 -.22

IA-S.MN direct avg ___ 108.26 +.05

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Hog slg.____ 426,000 +2k wa -6k ya

Moving on to the grains, Friday we get a fresh new set of Supply and Demand and Crop Production figures in the grains and oilseeds. Everyone is expecting yields to come up versus the September numbers and I firmly agree with those guesses, but the wildcard will be planted acres in the fall crop markets. FSA versus NASS numbers have been heavily disputed with FSA's recent updates falling shy of NASS's planted numbers by a fair margin. The same dispute was waged a year ago as well and people need to realize the numbers aren't going to match up as some would like to think. Of course, nothing like a lot of controversy heading into a big set of numbers...

Export sales numbers this morning in the weekly report are being viewed as friendly across the board. Corn sales were 30.9 mln bushels, beans at 33.9 mln and wheat 13.7 mln. Oddly enough though, the wheat number is considerably less than what it was a week ago and yet it is still being called bullish. I don't want to dispute that commentary very much though because I would much rather be seeing wheat go up instead of down.

For the report estimates, there is a broad range of guesses on both yield and production, because of this broad anticipation that acres might be changed somewhat. Average corn yield is pegged at 174.6 versus 171.7 in September and 158.8 a year ago. Bean yields are pegged at 47.5 versus 46.6 last month and 44 last year. The production guess is pegged at 14.5 bln corn and 3.976 in beans. There is a growing consensus amongst the trade out there that total corn production in the end may come much closer to a 15 handle and beans could be over 4 bln. IF that ends up being the case, corn and beans would have some more downside left. Only time will tell.

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