



Loewen and Associates

Commodity Consulting/Brokerage

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Date: 10.10.14

Morning Ag Markets

Matt Hines

Friday was a continuation from Thursday for livestock futures and USDA's crop report controlled the grains. Livestock futures crashed lower to end the week after the key reversal Thursday. Feeders led the way down, with only the October live cattle contract holding on to positive ground due to higher cash prices and steady to higher boxed beef prices. Trade in the north ranged from \$162 to \$165 with the majority trading at \$164, \$3 higher than the week previous and \$256 to \$258 on a dressed basis up \$4 to \$6. Trade in the south was also mostly done at \$164 up \$2 from a week ago. Chainspeeds have slowed even more and cash negotiated trade volume was light last week.

During this long lived rally we have seen many chart reversals and within just a few days' new highs set. This week will important for the entire complex to continue to build or fade prices from here.

For the week, October live cattle finished up \$2.50, October feeders down \$.37 and October lean hogs up \$3.85.

Cattle slaughter from Friday estimated at 100,000 head, down 8,000 from a week ago and down 10,000 from a year ago. For the week, 562,000 head down 15,000 from last week and down 47,000 from a year ago. Our year to date difference remains at 7.1% less.

Boxed beef cutout values steady to firm on light to moderate demand and offerings.

Choice Cutout__247.67 +.61

Select Cutout__234.74 -.11

Feeder Index:__239.35 +.63

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Hog slaughter from Friday estimated at 378,000 head, down 31,000 from a week ago and down 43,000 from a year ago. For the week, 2,136,000 head, up 46,000 from the week previous but down 145,000 from a year ago. Year to date difference out to 5.4% less.

Lean Index. __110.36 -.24

Pork carcass cutout __122.63 -.82

IA-S.MN direct avg __107.33 +.14

Opening calls this morning are mixed for both cattle and hogs futures and steady to higher for cash so far to start the week. No one wants to call the cattle futures today with some saying continued spillover selling and others calling for some buying interest taking profits.

Moving over to the grains, futures were mixed to finish out the week. Shortly after the report grains shot higher but settled back down with corn and soybeans finishing lower as the day progressed.

Overall US crop estimates were not as bearish as some had been forecasting, but corn and soybean crops continue to get bigger. Harvested acreage for both were decreased, corn by 742,000 acres and soybeans by 655,000 acres, offsetting some of the production increases. US soybean ending stocks were actually reduced by 25 MBU due to the beginning stocks reduction reported at the end of September being more than the production increase for this current crop. Usage was left unchanged from a month ago which in our opinion is still overestimated by USDA and ending stocks will soon be over 500 MBU.

The US corn balance sheet had some additional changes with total supply up 129 MBU compared to month ago but ending stocks only 79 MBU higher. Feed usage was increased another 50 MBU by USDA this month while all other demand factors were left unchanged.

The surprise of the report would have to go to US wheat. Production was only increased by 5 MBU which was in line with expectations but ending stocks tumbled 44 MBU. USDA increased not only feed usage of wheat, very questionable with sub \$3 corn and cheap DDG available, but also increase exports by 25 MBU? US wheat is not competitive in the world marketplace and hasn't been for months now! The only justification can come from the decrease in production in Argentina, Australia, Canada and North African countries. We

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may secure some additional business but Ukraine and EU production was increased and still offered at the cheapest values to date.

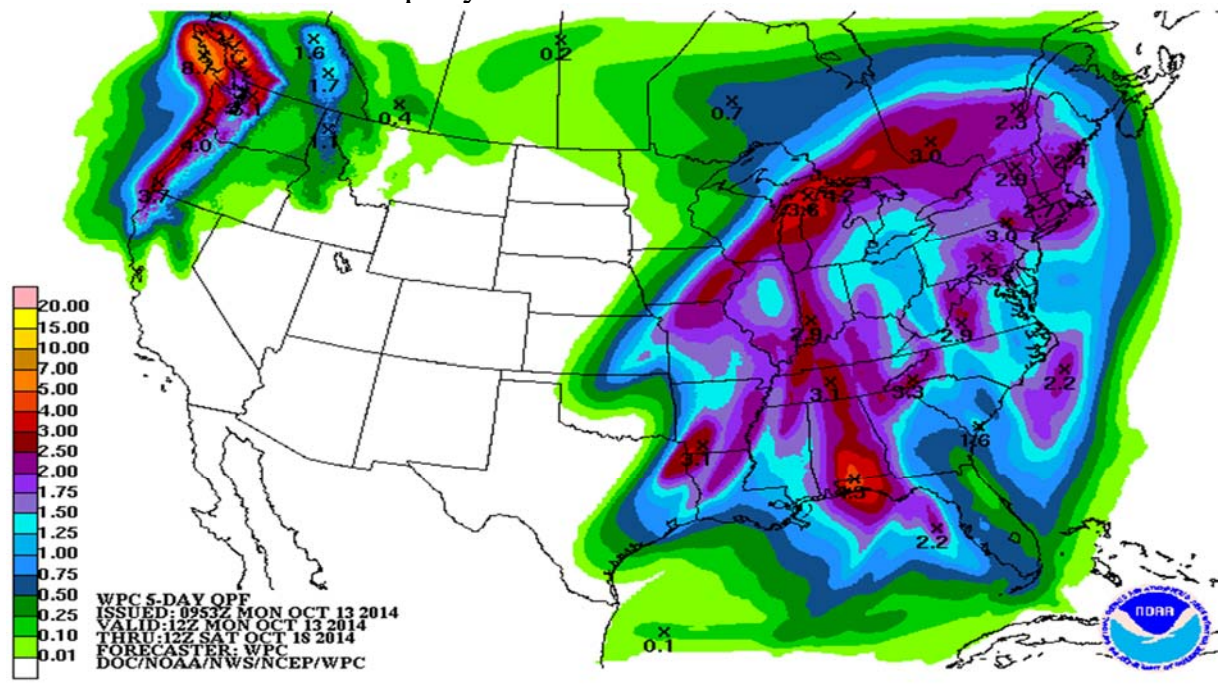
For the week, December corn finished up \$.10 3/4, November soybeans up \$.10 1/4, December KC wheat up \$.09 3/4, and December Chicago wheat up \$.12 3/4.

Overnight grains bounced around quite a bit but finished within a couple pennies of unchanged. Corn finished down 1/2 to 1, soybeans up 1 to 2 and wheat down 1 to 3 in all three pits.

Today is Columbus Day, a federal holiday, so export inspections and crop progress will be delayed until tomorrow as well as export sales coming out Friday morning instead of Thursday. Markets are still open and trading today though.

Egypt purchased 2 French cargoes and 1 from Russia last week about \$4/MT higher than last time. Their supply minister is suggesting now that they are covered through March 2015. South Korea is seeking 55,000 MT of feed wheat and 60,000 MT of corn. The US has a shot at both of these and results should be announced tomorrow.

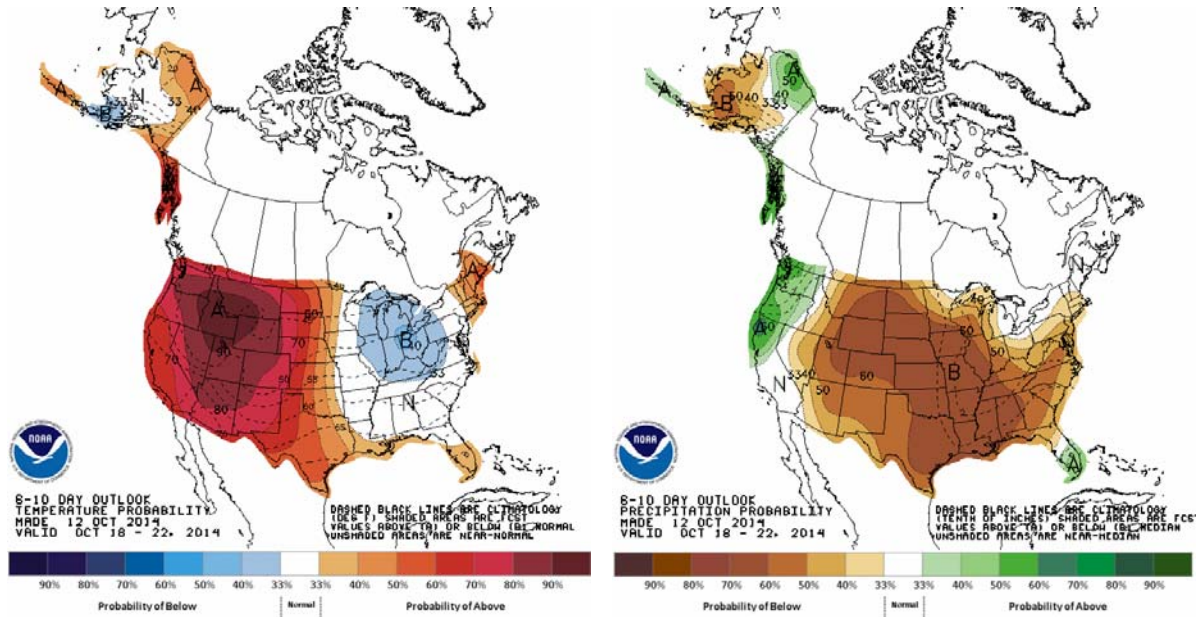
The wet fall weather continues here for us locally and the Corn Belt. This week looks to have some more spotty rain chances for all.



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The 6-10 day weather maps look a lot better for fall harvest though with temps above normal and precipitation below normal for all.



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