



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

Turnaround Tuesday as grains find a nice rally while cattle futures take out Monday's triple digit gains with triple digit losses. Feeders have at least touched a limit move either up or down the last 6 trading sessions in a row and 7 out of the last 8. Early calf and feeder sales this week have been reporting steady to lower prices, and in some instances \$5-\$10 lower.

Fats did not get hit as hard as feeders yesterday. December actually hit a new contact and all time high at \$169.70 before fading back in negative territory. Hogs have not been as volatile and are caught in a steep downtrend lower that may not stop until prices get back down in the mid \$80's.

Cattle slaughter from Tuesday estimated at 115,000 head up 1,000 from a week ago but down 9,000 from a year ago.

Boxed beef cutout values finished steady after higher in the morning on light to moderate demand and offerings.

Choice Cutout__249.84 unchanged

Select Cutout__234.93 -.24

Feeder Index:__240.80 -1.04

Hog slaughter from Tuesday estimated at 429,000 head, up 1,000 from a week ago but down 2,000 from a year ago.

Lean Index.__105.45 -1.33

Pork carcass cutout__104.04 -2.42

IA-S.MN direct avg__95.86 -1.47

National cash avg__95.31 -1.83

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Overnight, livestock futures were mixed on light volume. Cash calls for fed cattle still holding steady to \$1 higher with cash hogs called \$1-\$2 lower for the remainder of the week.

Over in the grains, harvest did not advance as fast as most were looking for with corn harvest only picking up 7% to now 31% complete and soybean harvest advancing 13% to 53% complete. This was the support needed yesterday morning to attract some buying interest even with the bearish fundamental news during the day. US weather looks ideal for fall harvest, rains have been added to the forecasts for dry areas of Brazil, and no US wheat offers while Egypt picked up a cargo each from France, Russia and Romania.

Soybean meal has actually been the leader in the grain pits recently. Yesterday's close marks the highest price in the past 6 weeks getting back into the sideways channel from this past summer's trade. After losing over \$50/T in September, meal has gained it all back with very higher demand both domestically and internationally. The weather delay, logistical problems and possibly a lack of producer selling has kept processors and exporters bids fairly stout for this record crop.

Overnight, soybeans and meal were the leaders again. After trading both sides of unchanged most of the evening, soybeans got a spark of buying interest around 3 am and finished up 12 with December meal up another \$8/T. Corn and wheat were along for the ride finishing up 2 to 4.

Last week, I touched on Brazil's wheat crop conditions deteriorating with wet weather across the southern part of the country and flour millers still waiting for export licenses for Argentine wheat which continues to allow US wheat to be shipped instead. While the Argentine wheat shipments were not confirmed yesterday, the KC wheat market acted like it was true. Bull spreads relaxed, KC lost to Chicago and basis levels in hard wheat export markets relaxed more.

Reports brewing that China may only be looking for 40 MMT of corn to import this year versus 60 MMT last year to keep domestic stocks at 100 MMT. This does not bode well for lifting the US GMO corn ban anytime soon.

Announced this morning, Taiwan ending up buying a cargo of corn from Brazil instead of the US which is not a good sign if we are now uncompetitive to South

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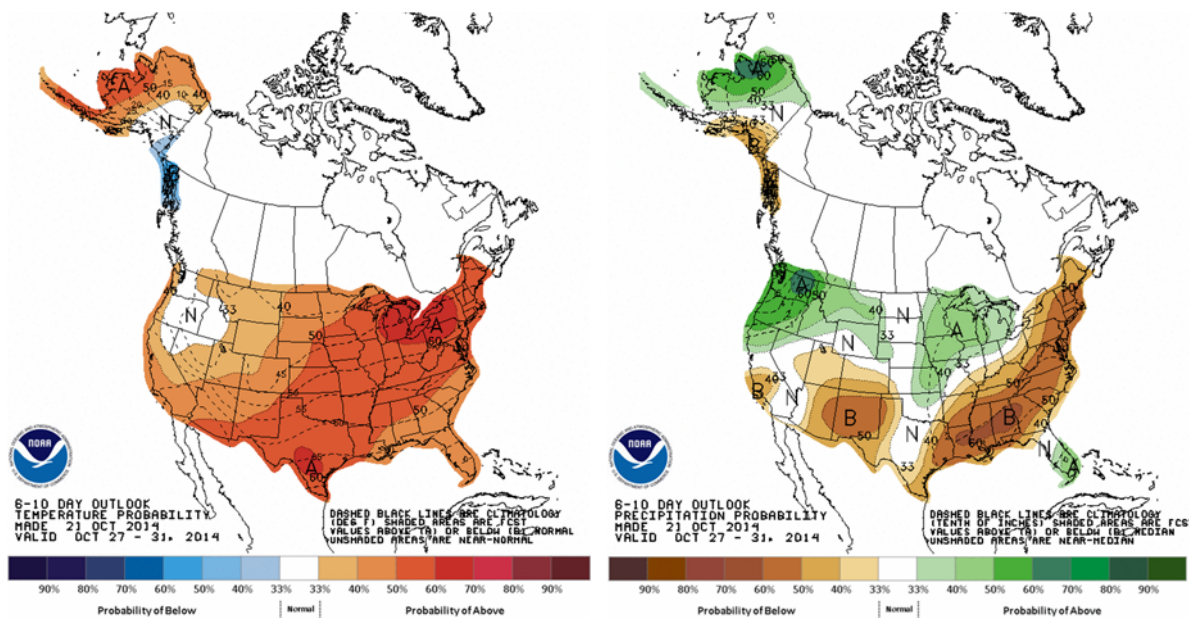
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American corn as well as Black Sea origins with shipments already decreasing during fall harvest.

On a good note, USDA reported a sale of 113,000 MT of soybeans to unknown destinations and 419,000 MT of soybeans to China for this crop year.

It appears the CME doesn't think grains will be as volatile now as they lowered daily price limits effective November 3, corn will move to 25 cents, Chicago wheat 35 cents, KC wheat 40 cents, soybeans 70 cents, meal \$25, and oil 2.50.

December corn broke through \$3.50 early last week and again yesterday, resistance is now at \$3.60 and support is down at \$3.18 which is the contract low from the first of the month. November soybeans look similar pushing past \$9.75 now with resistance at \$10.00 and an steady uptrend line holding starting back at the contract low of \$9.04. December Chicago wheat is still holding an uptrend but will need to stay above \$5.00 to keep momentum and December KC wheat needs to do the same with support at \$5.90.



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