



## **Loewen and Associates**

**Commodity Consulting/Brokerage**

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### **Morning Ag Markets** **Matt Hines**

After what appears to be a market that was just asleep on Monday, cattle futures shot higher yesterday with new record highs in both live cattle and feeders. December live cattle got up to \$168.90 during the day and November feeders hit \$243.27. Buying was spurred on by cash optimism and higher boxed beef values even in the face of higher corn values and collapsing equity markets. Early week calf and feeder sales at \$5-\$10 higher sure helped convince traders that this market can go higher yet again.

Cattle slaughter from Tuesday estimated at 115,000 head, same as last week but down 9,000 from a year ago.

Boxed beef cutout values sharply higher on moderate to fairly good demand and light to moderate offerings.

Choice Cutout\_\_243.88 +2.74

Select Cutout\_\_232.26 +3.09

Feeder Index:\_\_237.57 +.66

Hog slaughter from Tuesday estimated at 428,000 head up 4,000 from a week ago but down 4,000 from a year ago.

Lean Index.\_\_109.91 +.37

Pork carcass cutout\_\_123.75 -.70

IA-S.MN direct avg\_\_108.18 -1.22

National cash avg\_\_105.38 -.38

Overnight, livestock futures traded higher with November feeders touching another new all-time high at 243.75.

#### **IMPORTANT—PLEASE NOTE**

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Moving over to grains, wheat seemed to be the leader in the grain pits actually, now 5 days in a row higher, corn charged higher and stalled by midday but held gains, beans traded both side of unchanged in some wild swings and came under heavy selling pressure into the close to finish lower. Harvest delays here in the US and dryness in Australia and parts of northern Brazil lead the headlines yesterday. On Monday, USDA reported corn harvest at 17% done, up 5% on the week but below an estimated 21% last year and the 32% 5 year average. Soybean harvest doubled to 20%, down from an estimated 28% LY and 35% 5 year average.

Overnight, grains were mixed. Corn and KC wheat both finished down 1 while soybeans and Chicago wheat were up 1 to 2.

As mentioned earlier, there are some weather concerns around the globe which seem to be offering some underlying support. There is quite a bit of chatter about dry weather in Australia taking the top end off of yields. The Commodity Weather Group is forecasting that dry weather in Australia will stress at least 25% of the country's wheat crop. There is additional concern in Russia about a lack of soil moisture for winter wheat development, with soil moisture the lowest in 3 years. Wet weather down south in Argentina and Brazil could result in quality or acreage loss while dry weather in Northern Brazil continues to cause concern as producers wait for moisture before ramping up planting. Here in the US, southern and eastern portions of the Corn Belt look to struggle with harvest in the next 7-10 days, with more on again off again rain.

The Syngenta company says it has applied for cultivation approval for its Viptera GMO Corn in China but has halted trying to get approval for import of the grain. US corn desperately needs to get back into China along with DDG.

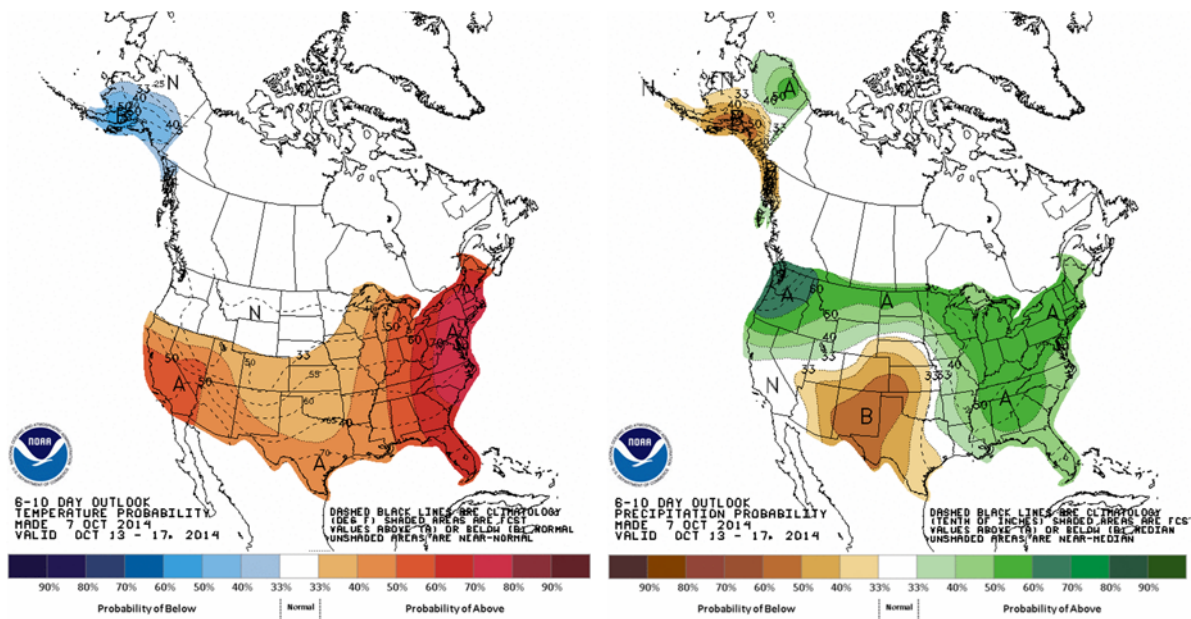
In South American news, the Brazilian presidential election run-off will be held at the end of October. It's believed this will firm the Real, but this may not encourage any additional farmer selling. While in Argentina, a member of the Argentine cabinet says the government will use "all tools" available to force grain producers to sell their soybeans for export, but admitted that they have not been able to come to an agreement on set export volumes with soybean exporters. The government has been hit by lack of taxes they rely on because of the slow sales volumes.

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Nearby corn premiums at the Gulf and barge freight continue to weaken, CIF down \$.25 just yesterday and \$.50 over the past week, providing little incentive to make sales along the river. The gulf still desperately needs beans with basis steady to up \$.06, but not corn as it is still not competitive in many overseas markets.

Grain charts are looking a little better this week but most are fearful we are set up for a bearish crop report Friday and massive slide back to support levels or possibly breaking them. Dec corn has hit some resistance at \$3.42 with \$3.45 and \$3.50 up above it and support down at \$3.18. November soybeans got up to \$9.55 yesterday but still did not fill the gap left back in mid-September. Resistance is seen at \$9.75 and \$10.00 with support at \$9.04 and \$9.00. Wheat in all three pits has carved out a nice bottom and rallied some \$.30 to \$.40. December KC wheat would need to get back to \$6.05 ¾ to meet a 50% retracement while December Chicago would need to get back to \$5.26 ½.



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