



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Date: 11.10.2014

Morning Ag Markets

Pete Loewen

Despite the fact futures finished higher for the week, the negotiated cash feedlot trade was once again a little more disappointing than expected. Nebraska traded some \$168 on Thursday that dropped to \$167-\$168 by Friday as Southern Plains trade couldn't muster a \$168. Texas was quiet, while Kansas reported \$167 on Friday. The dressed trade in the north was \$262. A lot of the anticipation coming into the week was for at least steady and maybe higher money, but \$167 was \$1.00 lower than the previous action.

In the feeder cattle and calf market trade, yearling supplies continue to run scarce at auctions, but supplies of calves, some bawling and straight off the cow and others preconditioned and hopefully able to avoid any health disasters dominated the sale ring. In the north, demand was disappointing and prices mostly weaker with instances as much as \$10 lower. In the south, it was a whole different story with wheat pasture demand driving a lot more enthusiasm. For the most part though the health risks were still discounted. Those suitable for wheat and rye pastures traded as much as \$5 higher than the previous week.

Cattle slg. ___108,000 fri 11k sat, wtd 564,000 +11k wa --47k ya

Choice Cutout __249.11 -1.41

Select Cutout __238.07 +.82

Feeder Index: __240.54 +.18

Lean Index. __88.01 -.24

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Pork cutout___94.74 -.56

IA-S.MN direct avg__87.54 +.69

Hog slg.___ 413,000 fri, 98k sat wtd 2.232 mln +39k wa -54k ya

Weekly closes had December live cattle up 75 cents, November feeder cattle up 4.37 and December Lean Hogs up 75 cents.

Moving on to the grains, wheat and corn futures continued lower on Friday, but the soybeans and meal futures found strength once again as the meal rally from a transportation squeeze continued on all but the front month. Crushers that need rail to clear meal supplies can't get the cars or can't get the cars moved, so they are having to result to using the truck market. This has left quite a few users attacking the buy side trying to get their hands on supplies, when in reality we're not short on supply, just short on methods to get the product from point "a" to point "b". Brazil meal is being offered at a \$60/tonne discount to US prices, so this may potentially land some Southern Hemisphere product into southeast US feed markets. Given the size of the US crop this year, that isn't good in the big picture for demand or usage in our domestic market if they aren't using US raised product.

Weekly closes in the grains had December corn down 9 ¼, November soybeans down 6 ¼, Dec KC Wheat down 24 ½, and new crop July down 25 cents.

The fact wheat has been so much weaker at times recently than the fall crop markets doesn't need much explaining outside of where US wheat offers are priced in the world export trade versus other countries. HRW wheat is priced at around 87 cents/bu over competing suppliers. SRW wheat is around 46 cents over the market. That either means lower futures or weaker basis and with the export arena as a driver, futures probably have more short term downside in the works.

At 11:00 this morning we get crop production and supply and demand numbers from USDA. The average corn production guess is 14.551 bln with a 175.2 yield and ending stocks of 2.135 bln. All of those guesses are higher than the October USDA numbers. Soybean estimates are 3.967 bln production from a 47.6 yield and 442 mln ending stocks. Production and yield are estimated higher than October, but ending stocks at 442 is slightly lower than last month. Wheat ending stocks are pegged at 660 mln, which would be 6 mln larger than

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last month. There are only very small changes expected in world stocks figures, old and new crop.

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