



**Loewen and Associates, Inc.**

**Commodity Consulting/Brokerage**

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Live cattle futures struggled to tread water on Tuesday, weighed down by the feeder market that spent quite a bit of time with triple digit losses on the screen. Most of the feeder contracts recovered nicely late in the session though and only two contracts settled more than \$1.00 lower. The hog market managed closes on the plus side, but those higher quotes also came after new life of contract lows were set earlier on in the trading session.

With beef packers short on supply and long on shackle space, I don't really expect cash feedlot trade to lose much if any ground this week. Having a futures market that is already \$7.80 discount to last week's negotiated live trade is somewhat burdensome from the abnormally large discount, but we have also grown accustomed to futures not providing the price discovery function that it's supposed to serve for several months now. It has been a basis traders dream for the hedgers, but a real nightmare for the fundamental analysis world.

In the feeder cattle trade, both Joplin and Oklahoma City had massive runs yesterday with OK city showing 11,000 receipts versus 8800 a year ago. Last week was 10,149 head. Steers weighing 750 and under and thin fleshed brought \$6-\$7 more than last week, but most of the rest of the classes were weaker. Joplin's sale had 9932 head show up compared to just 3426 last year. Most of the Joplin numbers were trading lower than the previous week. Giant numbers the last two weeks at both of those sales, although interestingly enough, the National Feeder Cattle Summary from last week showed overall auction numbers still down from a year ago nationwide.

Cattle slg. \_\_\_ 110,000 unch wa -6k ya

Choice Cutout \_\_\_ 245.26 +1.14

Select Cutout \_\_\_ 245.06 +.99

Feeder Index: \_\_\_ 213.80 +.18

Lean Index. \_\_\_ 65.28 -.70

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Pork cutout\_\_\_68.36 +.88

IA-S.MN direct avg\_\_59.47 -.40

Hog slg.\_\_\_418,000 -14k wa +30k ya

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Grain trade hosted another tough session for the fall crop markets with corn and beans finishing in the red, but wheat had a banner, bullish day. KC, Chicago and Minneapolis all three showed double digit gains at the close. In the new crop KC wheat that made 6 out of the last 7 sessions gainers, which is the biggest streak that market has seen since early December. There were 6 consecutive higher closes back then. The current streak made it to 5 higher closes before falling out of bed last Friday when all the rest of the ag sector was in deep red ink as well.

National crop progress numbers weren't released this week, but individual states put out some numbers that are worth talking about this morning. Texas reported 11% of their corn planted versus 6% last week and 25% on average. Louisiana, Arkansas and Mississippi all listed zero planted due to wet conditions. All those states generally have some seed in the ground by now.

Wheat condition ratings in HRW wheat country improved in the deep south, but went downhill progressively as they moved north. Texas listed 51% g/ex, which is phenomenal for that state compared to recent years. That's 1 point better than a week ago and significantly better than the 13% g/ex rating from a year ago at the same time. Oklahoma was rated 40% g/ex, down 2 points from last week but still well above the 18% rated g/ex last year at the same time. Kansas was 41% g/ex compared to 46% last week, but still better than the 34% from last year.

I'm still going to credit the lion's share of this recent rally in wheat to a dead cat bounce more than anything else. However, if the Kansas crop continues to lose ground without moisture in coming weeks, it would be very easy to extend the rally and add some legitimate weather premium. There are definitely some trouble spots showing up as the crop breaks dormancy in earnest.

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