



## **Loewen and Associates**

***Commodity Consulting/Brokerage***

**Pete Loewen, Matt Hines,  
Doug Biswell, Matt Burgener  
866 341 6700**

**www.loewenassociates.com**

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### **Morning Ag Markets**

#### **Matt Hines**

The huge surge higher in boxed beef prices on good demand yesterday followed up by some technical buying pumped some enthusiasm into the buyers sending live cattle and feeders triple digits higher. There is some early chatter that packers may come to the table as early as today looking to fill their nearby needs. The potential for steady to as much as \$2 higher is building now with the surge in beef and packers believed to be short bought. Hogs on the other hand continue to lose ground with the nearby June contract breaking the May lows & the July contract breaking the \$80 barrier. Futures have been on the defensive, now down 6 sessions in a row with cash prices falling and overall pork prices lower even with the bounce higher yesterday.

Cattle slaughter from Tuesday estimated at 112,000 head, up 2,000 from a week ago but down 5,000 from a year ago.

Boxed beef cutout values sharply higher on good demand & moderate offerings.

Choice Cutout\_\_247.20 +3.09

Select Cutout\_\_240.75 +4.44

Feeder Index:\_\_225.05 -.91

Hog slaughter from Tuesday estimated at 423,000 head, up 1,000 from a week ago and up 13,000 from a year ago.

Lean Index.\_\_82.30 -.07

Pork carcass cutout\_\_86.74 +1.50

IA-S.MN direct avg\_\_78.45 -.36

National Average\_\_77.80 +.03

June live cattle took out the resistance in the \$154 area and reached up for a new nearby high at \$155.35 above both the May and April highs. Support now at

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\$153 to \$152 with the next line of resistance up at \$158, this year's high from back in early January. August feeders with the turnaround yesterday, now have support in the \$222 area, with the May high at \$225.67 and the early January high at \$226.75 the resistance areas. Lean hogs broke support levels yesterday with \$80.25 the next level of support for the June contract and \$78 for the July.

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Over the grains it was a choppy day with markets trading both sides of unchanged during the night and day session. Soybean planting just fell behind average pace and conditions for both corn and soybeans were lower than expectations. The excessive moisture on the Western Corn Belt along with more forecasted may finally be getting some attention as weather premiums are being added to wheat and soybeans more so than corn. There is chance that 1 to 2 million acres will be prevent planted or go to grain sorghum or soybeans. With continued wet weather in the forecast the prospect for additional soybean acres is shrinking. There has also been some chatter of private estimates pulling back yields slightly more so on soybeans than corn at this time.

Overnight the same trend continues with corn steady while soybeans finished up 4 to 5 and wheat up 3 to 4 in KC and 2 to 3 in Chicago.

Taiwan purchased 23,000 MT or 905,464 BU of US corn for shipment in October. USDA announced a private sale of 8,500 MT, 312,321 BU, old crop soybeans and 120,000 MT, 4.4 MBU, of new crop soybeans sold to unknown destinations.

The 7 day forecast keeps getting wetter with now 3 to 5 inches expected from the panhandle of Texas up to southern Minnesota and central Wisconsin. The 6-10 day forecasts show above normal precipitation continues for all except the PNW and the Southeast with above normal temps in the Southwest and Eastern half of the US.

The market maker today, at least right at 11 AM, will be the USDA wheat production updates, US supply and demand and world supply and demand updates. Not much excitement is expected from this report though, overall the average trade estimates are looking for slightly higher wheat production here in the US with reductions elsewhere in the world for a net effect overall reducing world stocks slightly. Corn ending stocks could come up slightly and soybean ending stocks down slightly.

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Following tables provided by Reuters.

Wheat production in billions of bushels.

	All			White	All
	Winter	HRW	SRW	Winter	Wheat
Average trade estimate	1.474	0.856	0.414	0.204	2.110
Highest trade estimate	1.515	0.885	0.426	0.225	2.191
Lowest trade estimate	1.445	0.820	0.398	0.198	2.050
USDA May 2015/16	1.472	0.883	0.416	0.203	2.087
U.S. 2014/15 production	1.378	0.738	0.455	0.184	2.026

U.S. ending stocks	2014/15			2015/16		
	Wheat	Corn	Soy	Wheat	Corn	Soy
Average trade estimate	0.712	1.859	0.339	0.798	1.779	0.487
Highest trade estimate	0.734	1.964	0.360	0.876	2.053	0.569
Lowest trade estimate	0.685	1.775	0.302	0.672	1.622	0.433
USDA May	0.709	1.851	0.350	0.793	1.746	0.500

World ending stocks	2014-15			2015-16		
	Wheat	Corn	Soy	Wheat	Corn	Soy
Average trade estimate	200.29	192.52	85.80	201.72	191.90	96.00
Highest trade estimate	201.15	194.00	86.71	205.72	199.70	97.33
Lowest trade estimate	196.90	188.00	84.20	194.00	187.00	90.25

July corn has resistance at \$3.71 ½, the May high and the wide downtrending channel top side at \$3.83. The December contract though looks to have already reached up high enough to break its downtrending channel, getting above \$3.88 could open up some more room to move higher. July soybeans found support in the \$9.20 area and have rallied some 30+ cents. Support is at \$9.34 with resistance at \$9.64. Wheat futures have been the most volatile as of late, now turning back to technically bullish. July KC has support at \$5.24 and looks to test the May highs at \$5.64. July Chicago wheat already took out the May high last week with support at \$5.10 and resistance in the \$5.40 area.

**Loewen and Associates, Inc.**

Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

[www.loewenassociates.com](http://www.loewenassociates.com)

[peteloewen@cox.net](mailto:peteloewen@cox.net)

[matthines1@cox.net](mailto:matthines1@cox.net)

**866-341-6700**

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