



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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With some of the fears easing regarding the stock and equity market uncertainties, attention on the newswires began to focus on some news other than outside market influences. Regardless, Wednesday was a tough down day in the meat complex and yesterday was more of the same. Live cattle futures settled mild to moderately lower, feeders down more than \$2.00 on several contracts and hogs were down \$2.00+ on the vast majority of the quotes.

In the live cattle trade, there is a big tug-o-war going on between product values and negotiated cash feedlot trade. Cutout values are sinking fast while cash is holding in very well. Early in the week I was running under the assumption cash could probably push \$1.00-\$2.00 higher than a week ago meaning Southern Plains trade above \$150 and Nebraska above \$151 live. Over the last two days there has been a limited amount of action at steady with last week, but nothing higher yet as packers have been unwilling to push bids any higher and there are still quite a few holdouts wanting better money than what is being offered.

The choice and select cutout quotes posted another \$2.00+ drop apiece marking the 6th straight business day of steep losses. In the choice, 5 out of those 6 have been more than \$2.00 lower. Select has been in triple digits down 5 straight, but two of those were less than \$2.00 while another was \$4.13 lower from Monday this week. Breaking below the \$240 mark on choice yesterday with a quote of \$239.72 pushed price levels down to their lowest since mid-February of this year. So, if packers continue to pay up for cattle, they are either going to have to attempt to sharply raise those product prices to salvage margin, or maybe just have their heads examined for not trimming kills even further. Right now it appears to be a game of which one of them wants to go broke first as they fight for the limited supply of ready cattle at the feedlot gate.

Cattle slg. ___ 111,000 -2K wa -4k ya
Choice Cutout ___ 239.72 -2.31
Select Cutout ___ 236.58 -2.66
Feeder Index: ___ 220.39 unch
Lean Index. ___ 78.66 +.59

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Pork cutout___81.27 unch
IA-S.MN direct avg__78.28 +.18
Hog slg.___416,000 -8k wa +20k ya

Grain trade yesterday was highlighted by really strong upward action in the fall crop markets and sluggish trade in wheat. Soybeans were up close to 30 cents on most contracts while corn settled less than a nickel higher yet looked really really bullish on the charts after breaking into new recent high ground and the highest prices traded on new crop corn since a year ago in July. That new high ground ran some speculative buy stops for the shorts and likely opened the door for more optimistic buying from the spec trade as well. Comparing the soybean trade to corn, the 30 higher action looked really good comparatively speaking, but beans were still 24 cents under recent highs at the close and 42 cents shy of matching last summer's Nov 15 contract soybean price levels.

The wheat market sometimes acts like it wants to follow the corn and beans, but the fundamentals have been unfortunately stacked on the bearish side, keeping recent gains in check. The US isn't even close to being competitive in the world export trade in wheat, plus the report numbers today have estimates looking for larger wheat production and larger ending stocks forecasts as well.

11:00 am this morning brings the latest USDA Crop Production and Supply and Demand numbers as well as World Supply and Demand. All wheat production is forecast at 2.149 bln. Winter wheat production is pegged in the average estimate at 1.485 versus 1.381 last month. Corn production guesses average 13.395 bln and soybeans at 3.794 bln. Old crop ending stocks have guesses at 1.809 corn down from 1.876 in June, 292 mln beans versus 330 in June. New crop stocks guesses are pegged at 1.508 bln corn down from 1.771 in June, 378 mln beans versus 475 in June and 855 mln wheat versus 814 in June.

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