



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Date: July 23, 2015

Meat complex trade had live and feeder cattle futures under solid pressure with quite a few contracts down in the light end of triple digit territory. Hogs had huge gains though, pulling support from continued fund liquidation of shorts. Fundamentally hogs aren't bullish, but it has been such a long ride down since all the way back to last fall that with massive shorts being built along the way the market has been a lot more vulnerable to wild swings as those large money traders jockey in and out sometimes.

Cold storage data was released yesterday had a negative undertone for everything with total red meat supplies up 23% from a year ago. Frozen poultry supplies were up 1% from last month and 13% higher than a year ago. Frozen pork was down 3% from last month, but up 18% from last year. Frozen beef was down 2% from a month ago, but still 30% over last year. I think that very clearly caps the beef market as the bearish dog of the bunch, which also fits right in with the domestic and export demand woes I have been talking about recently. A strong reduction in kills versus year ago levels and freezer beef supplies that are still up sharply from a year ago, along with a strengthening dollar value again are not good for the cattle market.

Cattle slg. ___104,000 unch wa -10k ya

Choice Cutout ___232.92 -.40

Select Cutout ___228.35 -1.66

Feeder Index: ___217.14 -.48

Lean Index. ___79.26 -.40

Pork cutout ___83.99 -1.08

IA-S.MN direct avg ___76.29 +1.73

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Hog slg. ___421,000 +1k wa +25k ya

In the grains, a broad selloff added a little more misery to a week that has already seen a lot more pressure than most had anticipated. Improving weather conditions, as well as big money wanting to get out of longs and some even back on the short side have been burdens on the market for corn and soybeans.

Wheat continues to struggle simply because there isn't anything out there able to lead it higher anymore. Both domestic and world fundamentals are weak in wheat, plus the US isn't remotely competitive in the world export arena and as a result, wheat has taken some hard hits lately at times. By the same token though, wheat has plummeted in the month of July from the \$6.11 area in Sept KC Wheat on the last day of June to a low yesterday of \$5.11. \$1.00 down in 23 calendar days is ugly and the entire wheat complex has very rapidly become grossly oversold and due for a bounce higher. That bounce higher won't do much to cure a sour fundamental picture though... US stocks to use forecasted at 38.5% and world stocks to use projected at 30.8% are both up from year ago levels. Plus, with the US struggling to get any notable export business, US stocks could potentially increase even more.

6-10 day weather forecasts yesterday showed above normal precip in the Central Plains and the heart of the Corn Belt from north to south. Below normal was forecast for the far south and far eastern Corn Belt. Temps were pegged at normal from NW Kansas straight north into the Dakotas, but above normal everywhere else including the majority of Kansas.

China has been rumored to be a big buyer of new crop beans this week with some purchases already booked and reported. There was another 180,000 mt's reported sold to China for new crop this morning. Export sales in the weekly data was bullish beans, very bearish corn and neutral in wheat. Soybean sales were 3 mln old crop and 8.9 mln new. Corn sales were only 8.8 mln old crop and 12.3 new. Milo sales were 300k old and 4.1 mln new, which is a lot better than the zeros from the previous two weeks. Wheat weekly sales came in at 18.5 mln and that's the largest we've seen in a while, but still not what I would consider legitimately bullish. Total wheat commitments for the marketing year to date in wheat are 257 mln bushels compared to 328 mln last year at the same time and when exports are pegged at 95 mln bushels larger this year than last, that's not a good start at all.

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