



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Tough day for the cattle complex yesterday as some limited cash activity that was \$3.00 lower than the previous week, along with a very bearish cold storage report provided enough fundamental reason for sellers to put a lot of pressure on the markets. Live cattle were off more than \$1.00 and feeders dropped more than \$3 in quite a few contract months. Hogs followed at a distance, marking mild losses after posting several days of nice rally this week.

The cold storage report earlier this week showed frozen beef supplies up 30% over a year ago at the same time. Frozen pork was up 18% and poultry was 13% higher than a year ago. With weekly kills and beef production trailing year ago numbers considerably in the cattle, seeing lighter supplies being produced and much heavier supplies being stored speaks volumes about the sour demand side of the market. That's not good news for cattle.

This afternoon we get both a monthly On Feed report as well as midyear Cattle Inventory report data. The inventory report is expected to show all cattle and calves up 1.5% from a year ago. Beef cow numbers are expected at 3% larger than a year ago and beef replacement heifers up 5%. Cattle on Feed estimates have the July 1 on feed total pegged at 1.5% above year ago levels. Marketings in June have an average guess at 94.5% of a year ago and placements in June have the guesses at 99%. There was one more business day in June this year compared to last though, so a 94.5% total would actually figure out closer to 9%-10% lower on a day-to-day basis.

The negotiated cash action yesterday was reported at \$145 in Kansas and some \$232-\$233 in Nebraska. There is obviously going to be more today, but it may have to wait for the reports to come out.

Cattle slg. ___109,000 -2k wa -6k ya

Choice Cutout __232.59 -.33

Select Cutout __227.96 -.39

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Feeder Index:___216.81 -.33

Lean Index.___78.93 -.33

Pork cutout___84.75 +.76

IA-S.MN direct avg___76.10 -.19

Hog slg.___424,000 +2k wa +30k ya

Grain market action yesterday was unfazed by export sales data that showed neutral wheat sales, very bearish corn and friendly beans. In addition to the good weekly bean number, China has been an active buyer of new crop beans in the daily reporting this week. 15 lower new crop futures at the close yesterday in beans is why I called the trade unfazed by sales numbers though. Corn finished flat and wheat managed to get a mild corrective bounce in what has become a grossly oversold market in the last 24 days as futures have dropped \$1.00 over that time.

6-10 day forecasts last night showed above normal precip over the entire Corn Belt, most of Kansas and the vast majority of Oklahoma as well. The central and western parts of the Dakotas and Nebraska were normal to below precip. Temperatures were pegged at normal in the central and northern Plains, as well as the western Corn Belt and above normal all over the south, central and eastern Corn Belt all the way to the Atlantic Coast.

I mentioned export sales being bearish corn, but bullish beans yesterday, plus the fact China has been actively in the market for new crop beans this week. New crop commitments for corn are trailing year ago levels for the same date by 35% and soybean new crop sales are 52% below year ago levels. The value of the dollar has played a large role in that downfall with last year's dollar index parked in the 80 even range compared to the last 7 months this year being between 94 and 100. That's a bearish influence on not only grain exports, but it has impacted the meat complex as well.

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