Loewen and Associates

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Morning Ag Markets

Matt Hines

I guess we can term yesterday as a partial turnaround Tuesday with fall crops higher and feeders down sharply. Feeder cattle futures were under pressure from the beginning of the session with a sharp collapse in the cash market the past few days. Long liquidation and technical selling took over to push prices triple digits lower. Near term spot boxed beef demand remains poor which is also concerning the cattle market as well.

Australia announced a monumental agreement becoming the first country able to export live feeder and slaughter cattle into China. The two countries have agreed up health protocols which was the last step in finalizing the deal. This couldn't have come at a better time for Australia as Indonesia just recently slashed their live cattle imports by 80%.

Cattle slaughter from Tuesday estimated at 113,000 head up 1,000 from a week ago but down 1,000 from a year ago.

Boxed beef cutout values steady to weak on light to moderate demand and moderate offerings.
Choice Cutout__233.32 -.51
Select Cutout__230.01 -.21
Feeder Index:__217.62 -1.24

Hog slaughter from Tuesday estimated at 422,000 head, up 4,000 from a week ago and up 26,000 from a year ago.

Lean Index.__79.66 -.24
Pork carcass cutout__85.07 +2.10
IA-S.MN direct avg__74.56 -.51
National Average__73.84 -.29

August feeders now appear range bound again with a $217 resistance level on the top side and $210 support underneath. August live cattle hit a new recent low yesterday and the downtrend continues. The first line of support is at $144 with the contract low down at $138. August lean hogs after losing $12+ in June and getting back $3-$4 in July have a fairly tight range currently from $77 to $74.
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Over in the grains, it was certainly not an impressive Turnaround Tuesday but corn and soybeans did stay higher throughout the day and finished higher. Wheat extended its consecutive sessions lower, now 8 in a row for Chicago and 11 in row for KC. Fall crop conditions were left unchanged but the ECB did show continued deterioration while conditions improved in the West and North.

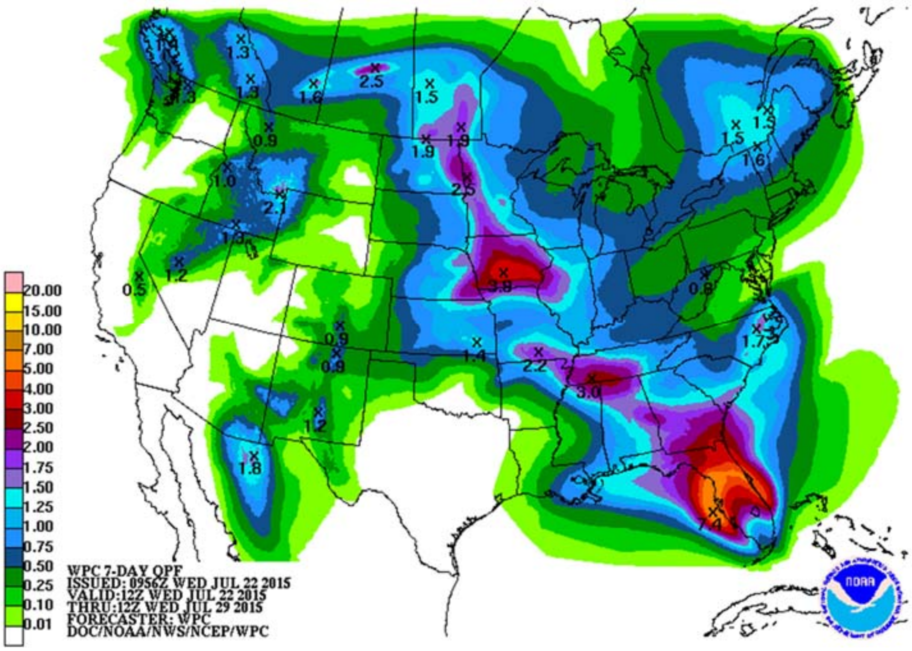
Egypt purchased another round of wheat, this time only buying from Russia and again another $5/MT cheaper than the week previous. A total of 175,000 MT or 6.4 MBU will be shipped in FH September. There were no offers of US SRW but based on current calculations, we are up to $55/MT or $1.50/BU premium.

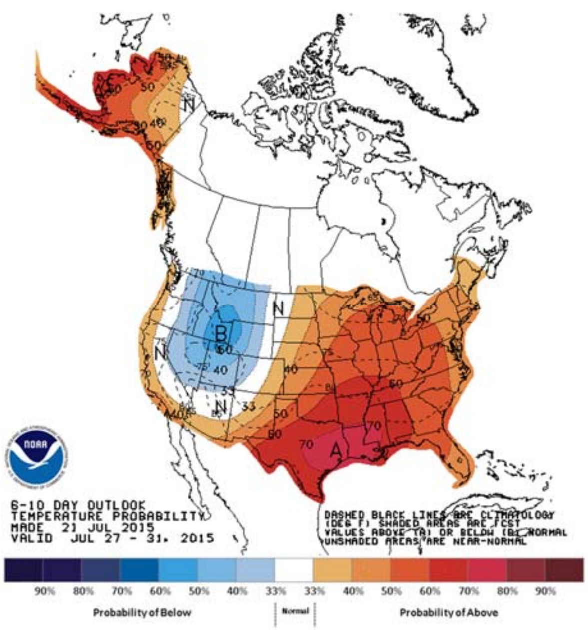
Overnight all grains were lower with almost ideal weather for fall crop development currently. Corn finished 5 to 6 lower, soybeans down 3 to 7 and wheat down 5 to 8.

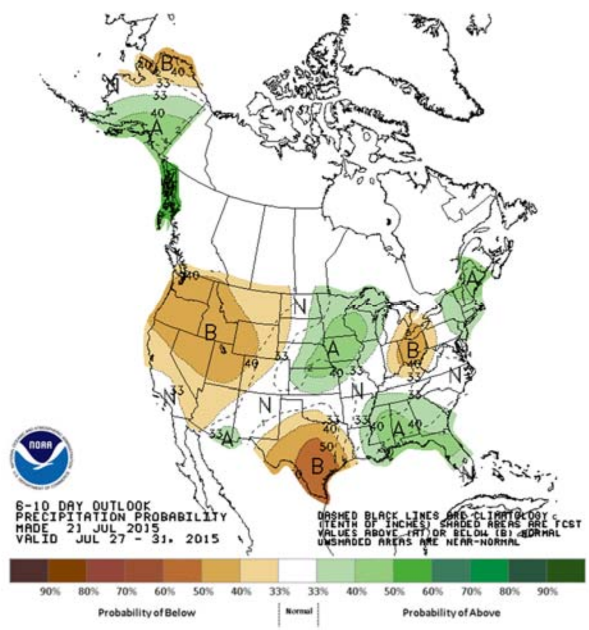
News is pretty light this morning with weather and world trade the market movers. Missing the Egypt wheat deal was not a shocker but seeing that world prices are even lower even with the current collapse in futures is concerning. The real major concern is seeing our typical trade partners now sourcing Black Sea wheat and corn and South American corn and soybeans.

December corn has pulled back some $.40 now with support at $4.10. There is a gap left up near $4.29 which if filled could lead us back to the $4.50 area. November soybeans are working both sides of $10 and still in a wide range of $10.40 to $9.80. Wheat futures are oversold now with support for the KC September contract at $5.07 and $5.00 and the contract low down at $4.95 ½. The Chicago September wheat contract actually still is holding a 1ong term uptrend from the contract low at $4.69 ¼. A break below $5.00 here as well would lead to a test of that contract low.

Over this next week the rains are centered on Iowa with 3+ inches for most of the state and in the SE or Delta. The extended forecasts continue that same pattern with temperatures warming back up by this weekend and above normal on the 6-10 day maps for all.







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