



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

Mixed day for the livestock futures with all grains crashing lower on the bearish USDA crop report yesterday. Feeders traded both sides of unchanged and hogs scored triple digit gains with cash prices rallying again. Live cattle futures were beat up though, pulling back some at mid-day and then October broke the \$148 support area which kicked off some additional selling to push it almost another \$2 lower. There were some rumors yesterday and confirmation today that a handful of cattle traded at \$236 to \$238 dressed to a regional packer in the Nebraska but with the collapse in the futures they quickly pulled back to no better than a \$234 bid.

Cattle slaughter from Wednesday estimated at 104,000 head up 2,000 from a week ago but down 10,000 from a year ago.

Boxed beef cutout values sharply higher on Choice and firm on Select on fairly good demand and light to moderate offerings.

Choice Cutout__244.02 +3.09

Select Cutout__235.45 +.65

Feeder Index:__216.83 +.15

Hog slaughter from Tuesday estimated at 425,000 head which is the same compared to last Wednesday and 16,000 head more than a year ago.

Lean Index.__78.67 -.12

Pork carcass cutout__90.08 -.69

IA-S.MN direct avg__75.97 +1.48

National Average__74.66 +1.07

\$214 for nearby feeders is still a good spot but live cattle breaking support levels yesterday was not a good sign for higher cash feedlot trade this week. Beef

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prices have been rallying the past few days but the live cattle charts with another lower today point for a test of the recent low at \$143.30 and then the February low at \$141.27 for the October contract. October lean hogs still holding support hold around the \$62 area with the contract low at \$59.45 and the first line of resistance up at \$64.60.

All about the crop report with corn up a nickel and soybeans down \$.08 before the report to touching limit lower trade just minutes after. USDA yields, production and ending stocks were forecasted higher than the top end of pre report range sending grains sharply lower. Now this USDA's first official forecast for the new crop year and they will have 4 more coming from now until January but a national corn yield at 168.8 and soybeans at 46.9 are the estimates and that's what the markets trades for now. Corn production saw unchanged acres with yields increased 2 to 168.8 BPA for a total crop of 13,686 BBU. USDA had the 3rd highest ear count ever and applied last year's ear weights to come up with this yield. Western states were all forecast at record yields---So Dak up 9 at 160 BPA, Minn up 7 at 184, Neb up 8 at 187, Wisc up 1 at 163, and Iowa up 2 at 183. Bean production was based on yields up .9 to 46.9 on acres reduced .9 at 583.5 million acres harvested. This gave a crop of 3.916 BBU. Record yields in western states showed Minn up 2.5 at 48 BPA, Neb up 1.5 at 56, and So Dak matching the old record at 45.

Looking at the world picture, corn and wheat ending stocks were raised significantly while soybean stocks dropped. The overall hike in US totals though weighed on the market and increases to China crush being supplied by increases in Brazil's exports is not overall bullish to our prices. We are still in August and the make or break weather for US soybeans is upon us for the next few weeks.

| World End Stocks 2015/2016 (Million Metric Tons) | | | | |
|--|---------------|-------------------|---------------|-------------|
| | USDA | Private Estimates | | USDA |
| | Aug 15 | Average | Range | July 15 |
| Corn | 195.09 | 188.7 | 183.1 - 197.7 | 190.00 |
| Soybeans | 86.88 | 90.8 | 87.0 - 93.0 | 91.80 |
| Wheat | 221.47 | 218.60 | 199.4 - 222.0 | 219.80 |

Overnight grains inched back up with some short covering. Corn finished 2 higher, soybeans 7 to 8 higher and wheat 3 to 6 higher.

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Pakistan purchased 66,000 MT or 2.4 MBU of soybeans from Brazil for shipment in May. South Korea purchased 60,000 MT or 2.36 MBU of optional origin corn. Japan purchased 147,933 MT or 5.4 MBU of wheat from Australia, Canada and milling quality US wheat in their weekly tender. Egypt in for more wheat late yesterday as well.

USDA announced export sales for the week which were in line with expectations. Wheat sales totaled 15.5 MBU, old crop corn at 1.15 MBU and new crop sales at 19.8 MBU, old crop soybean sales at 3.5 MBU and new crop sales at 24.3 MBU. There was some jockeying around of old vs. new crop and unknown destinations to China but in the end China is still buying US grain sorghum.

On the charts, yesterday was big hit with a new contract low for December corn at \$3.57 ½, new contract lows for KC and MPLS wheat and a new recent low for Chicago wheat. November soybeans were not able to reach a new contract low due to trading limits but \$9.01 ½ was hit and the \$9.00 to \$8.95 support remains in place.

Forecasted rain over the next seven days remains mostly for the northern Corn Belt. The 6-10 day maps now show above normal precipitation for the entire area though and below normal temperatures still hanging around the Northern Plains.

Loewen and Associates, Inc.

Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

www.loewenassociates.com

peteloewen@cox.net

matthines1@cox.net

866-341-6700

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