



## **Loewen and Associates**

***Commodity Consulting/Brokerage***

**Pete Loewen, Matt Hines,  
Doug Biswell, Matt Burgener  
866 341 6700**

**www.loewenassociates.com**

Date: 8.24.15

### **Morning Ag Markets**

#### **Matt Hines**

Friday was the end of a mass commodity and equity sell off week. China continues to lead the headlines with a lot of fear about their slowing economy and not many options left to get it jumpstarted. Throw in the facts that cash feedlot trade was lower last week, beef prices were lower and the technical picture for cattle is very bearish as well. All livestock contracts finished with triple digit losses and several feeder contracts locked limit lower. Light to moderate trading developed in the Southern tier of feedlot country late last week. Most live sales were marked at \$147, \$3 lower than the week previous basis Kansas.

	USDA Actual	Average Guess	Range
Cattle On Feed:			
On Feed August 1	103.0%	102.5%	101.5-103.5%
Placed in July	99.0%	101.0%	95.0-105.0%
Marketed July	97.0%	97.0%	94.0-98.0%

The August 1 Cattle on Feed report appears to be neutral to somewhat positive given lighter-than-expected July placements. The expansion of the herd continues with 250,000 more head in feed lots now compared to a year ago. Indeed, last month's in-movement turned out to be record small, at 1.547 million head, 1% below 2014 and 10% smaller than the 3-year average and the smallest midsummer placement since the data series began in 1996. The July marketing total was 1.725 million head, 3% below last year, 9% smaller than the 3-year average and also a record low for the month of July.

For the week, Friday to Friday, August Live Cattle down \$3.02, October down \$3.00, August Feeder Cattle down \$1.90, September down \$7.20, October Lean Hogs down \$2.52.

#### **IMPORTANT—PLEASE NOTE**

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Cattle slaughter from Friday estimated at 105,000 head up 2,000 from a week ago but down 11,000 from a year ago. For the week, 540,000 head, matching last week's total but down 56,000 from a year ago. Year to date difference out to 7.0% less than a year ago.

Boxed beef cutout values lower on Choice and weak on Select on light to moderate demand and moderate offerings.

Choice Cutout\_\_244.90 -1.56

Select Cutout\_\_234.88 -.70

Feeder Index:\_\_215.25 -.72

Hog slaughter from Friday estimated at 406,000 head, up 2,000 from a week ago and up 63,000 from a year ago. For the week, 2,226,000 head, up 13,000 from a week ago and up 224,000 compared to a year ago. The year to date difference still increasing now out to 7.8% more than a year ago.

Lean Index.\_\_79.09 unchanged

Pork carcass cutout\_\_87.68 +.38

IA-S.MN direct avg\_\_74.98 -.62

National Average\_\_73.82 -1.05

Opening calls are lower with continued pressure from the outside markets.

September feeders shot past the recent and spring time lows with the contract low right above \$196 set back this past February. October live cattle tested the support and recent low at \$143.30 on Friday with the contract low also in sight at \$141.27. October lean hogs continue to chop sideways from the \$62 support area up to the mid \$67 area.

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Grains finished lower to the end week also even with the Pro Farmer crop tour corn yield down at 164.3 BPA compared to USDA's 168.8 and Informa lower soybean acres by a million. The collapse Friday was spurred by China reporting factory activity for August fell to a six and half year low sending all markets crashing lower. Corn was able to hold positive for the week but soybeans set new contract lows while wheat futures tested theirs.

For the week, Friday to Friday, September Corn up \$.01 ¼, December up \$.01 ¾, September Soybeans down \$.20, November down \$.27, September KC Wheat down \$.18 ¾, September Chicago Wheat down \$.07.

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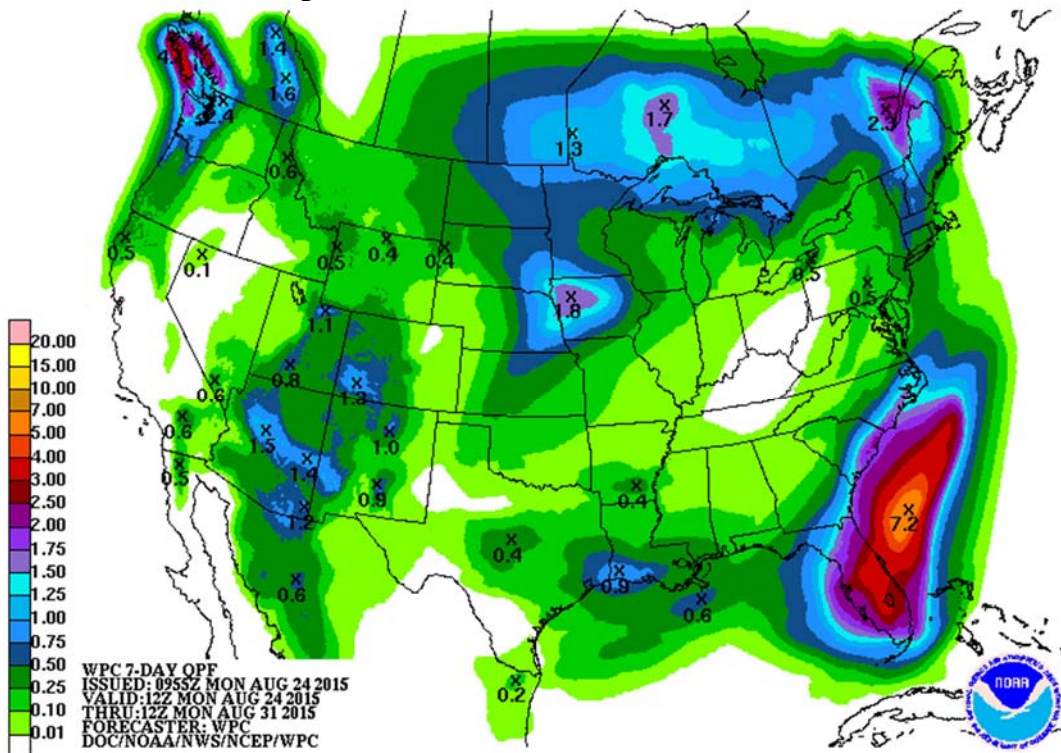
Overnight, grains lower along with all other commodity markets and the sharply lower equity markets throughout the world. Soybeans were the leader again with only 1/3 of last year's pace sold to China so far for new crop. Soybeans finished 28 to 31 lower, corn 9 to 10 lower and wheat 6 to 8 lower.

USDA did just announce a sale of 120,000 MT or 4.4 MBU of new crop soybeans for unknown destinations.

Conditions are expected to be steady to up 1 to 2 points in this afternoon's crop progress and conditions report.

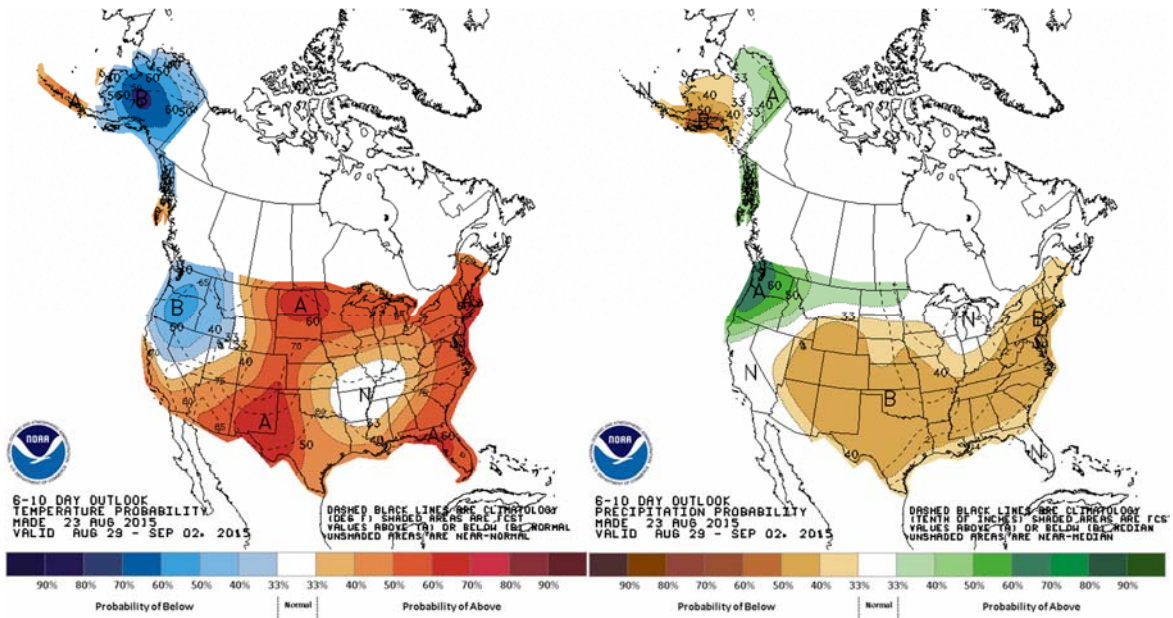
Fundamentals and even technicals could be out the window for the time being or at least until the markets stabilize. Large spec traders are still long some corn but mostly likely after today they will not be. December corn contract low is at \$3.57 1/2 and September Chicago wheat at \$4.69 1/4. All other wheat contracts and soybeans continue to set new lows daily.

Rains over the weekend favored the Western Corn Belt with the next 7 day precipitation forecast continue to favor NE, IA, MN and the Dakotas. The 6-10 day maps show mostly below normal precipitation with normal to above normal temperatures for all except the PNW.



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Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

[www.loewenassociates.com](http://www.loewenassociates.com)

[peteloewen@cox.net](mailto:peteloewen@cox.net)

[matthines1@cox.net](mailto:matthines1@cox.net)

**866-341-6700**

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