



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Monday started out looking really good for the cattle complex, but as the day wore on, prices began to fade. Live cattle futures finished with mild losses in some contracts and low triple digit losses in others. Feeders were up sharply at one point early, but then when the worm turned it hit some contracts hard. Some of the deeper deferred contracts were down over \$2.00. October through January was down \$1.00+ and the front month September was only down around ½ dollar.

Taking a bigger bite out of the back months extended the inverted structure in feeders considerably. It moved the spread between fall and spring futures prices out to more than \$10 apart, meaning October is now \$10+ higher in price than next March and April futures. This move to deep discounts in the deferreds has been a factor of the market building in the gradual bearishness of potential increases in calf and feed supplies down the road as expansion in the nation's breeding herd finally start to be reflected with actual results. Unfortunately, it has also happened at a lot faster pace than I would have imagined given the fact contracts like the March feeders have now fallen from a price level over \$212 on the first day of June to a \$182.27 low just two weeks ago. More than \$30 from contract high to contract low in less than 3 months rivals the kind of price move feeders had on the way up as far as speed is concerned. I'm still in the camp that the drop isn't going to be just a straight landslide lower, despite the fact that's what the technical chart picture looks like in some of these deferred contracts.

Cattle slg. ___109,000 unch wa last year's equivalent was Labor day, so no comparison

Choice Cutout__242.24 -.98

Select Cutout___232.04 -.91

Feeder Index:___206.35 -3.50

Lean Index.___77.70 -.58

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Pork cutout___85.84 +1.31

IA-S.MN direct avg__71.56 -.64

Hog slg.___429,000 -4k wa no comparison from last year

Grain and oilseed trade yesterday was flat and quiet and uneventful, but from a farmer standpoint it was still good trade because everything was up mildly. For the corn market that meant just fractional gains at the close, beans were up a little more than that and wheat was the leader to the upside.

6-10 day temps are hot in the Southern Plains and through the Corn Belt, although the central and northern High Plains are below normal. Precip was pegged at above normal everywhere except the Deep South and PNW. Production-wise, that is good weather for crops, not so good for market prices perhaps.

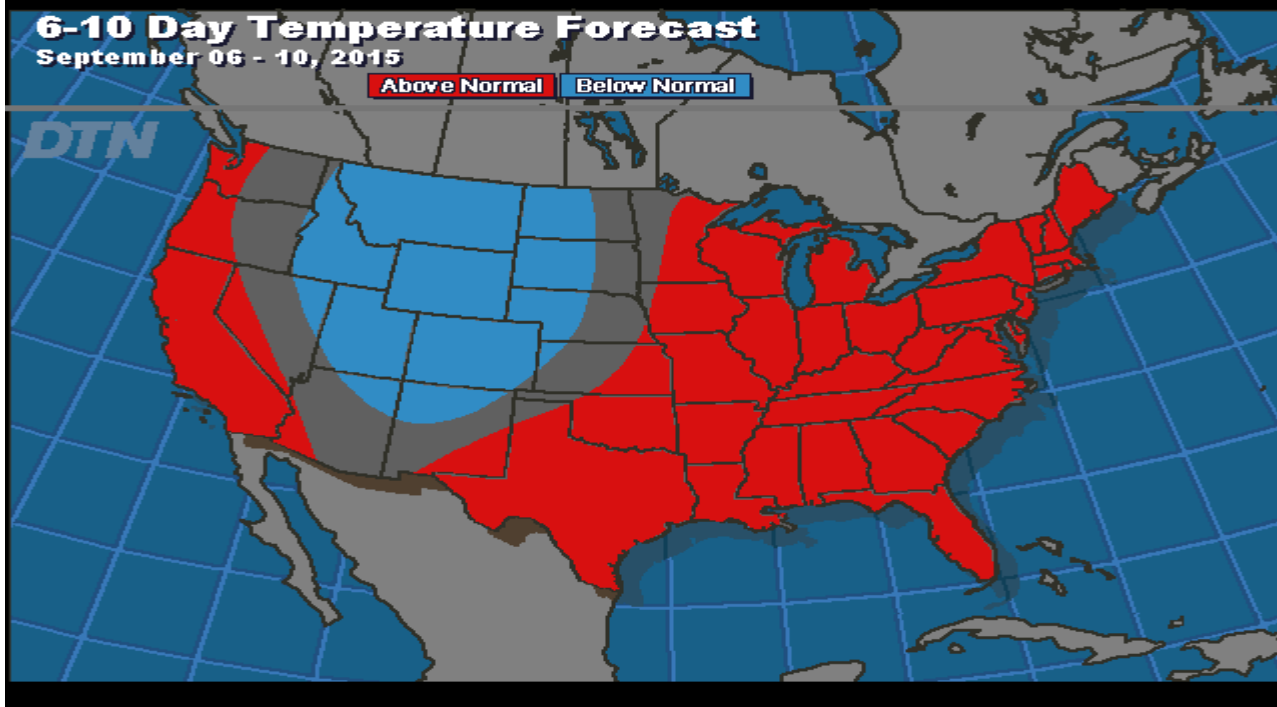
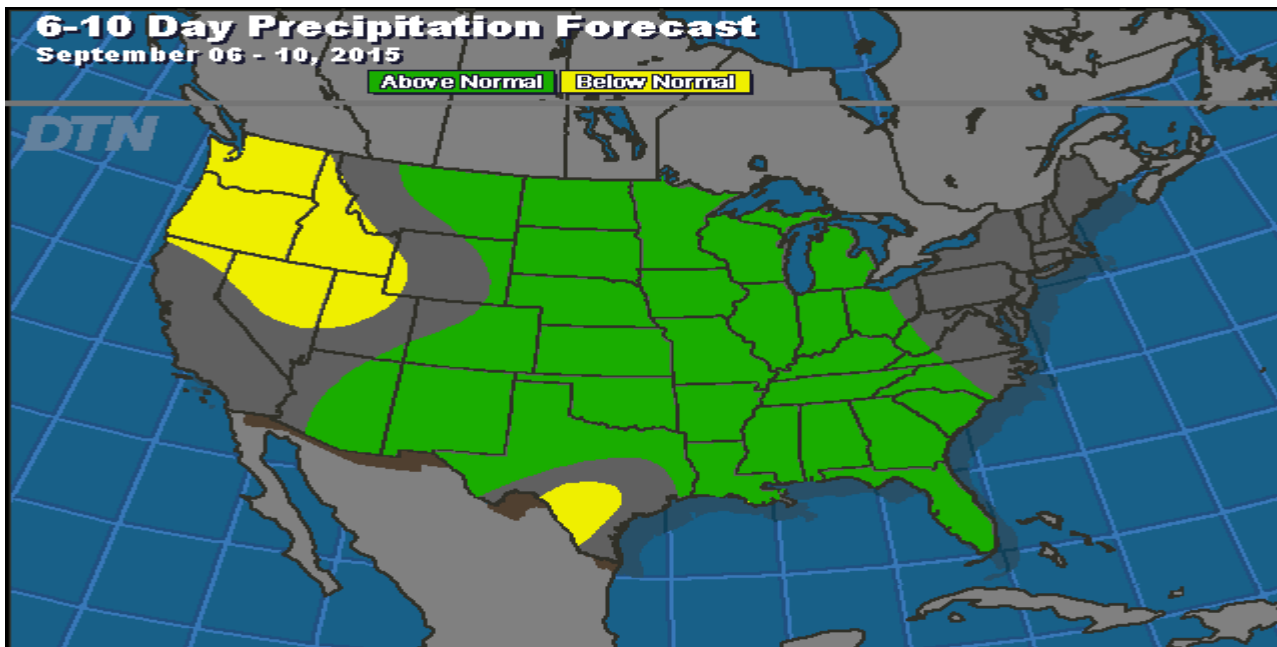
Crop Progress and Condition data yesterday afternoon had corn condition ratings falling 1 point out of g/ex to 68%. A year ago it was 74% g/ex. Soybean ratings were 63% g/ex, which was the same overall as last week, but excellent gained a point from good, which means conditions did technically improve mildly. A year ago the bean rating was 72% g/ex, which is 9 points higher than yesterday. Expectations heading into the report were for corn and bean ratings to each drop 1 point, so the data overall was neutral to maybe a shade negative.

Milo conditions were 68% g/ex, unchanged from last week and up 11 points from last year. Spring wheat harvest jumped up to 88% complete versus 62% on average for this date. Corn and soybean harvest progress isn't being officially released yet nationwide, but once again there were some state by state breakdowns with progress being reported in the south. Texas is 50% done with corn, delta states ranged from 22% to 92% complete. Missouri was 2% done and Illinois was listed at 1% complete. Miss and La had soybean harvest progress at 17% and 32% respectively.

FC Stone and Informa should be out sometime this week with their September guesses for corn and bean production in the upcoming USDA crop production report. That will give us some good material to cuss and discuss later this week. In last night's session, lower energy and financial markets pressured the grains some and with the volatility in those outsides gaining steam this morning, there is definite risk of spillover into the ag markets. A lot of China talk regarding reduction of domestic corn price with some rumors being floated of up to a 20% reduction.

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