



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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

www.loewenassociates.com

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It was a big sell it all day in ags that had most markets in the red between grains and oilseeds, but only mildly so. Markets that fundamentally have more of a bullish bias than bearish still ended lower, as well as markets that are legitimately bearish were lower. There wasn't a whole lot of choosing sides though because the sell button was the most popular throughout the day based on the closes. Once again, grains were only down mildly, but the livestock markets took a thrashing that brought hogs down triple digits in the \$1.00+ range. Live cattle were limit down on the front month which is \$3.00. Feeders closed \$4.00+ lower on most contracts, but just shy of their \$4.50 limit. Cattle market fundamentals have developed a bearish bias. For the hogs, not so much.

Hog producers are in expansion mode right now, which theoretically would be bearish the market as market hog numbers being killed continue to far outpace year ago totals, as well as total pork production. However, there also continues to be a gross discrepancy in price between pork and beef, which is driving more of the retail and HRI trade into favoring the much cheaper pork and poultry over beef. That factor in itself is what takes a growing supply and keeps it from becoming too overbearing, as well as keeping a shelf of support under the market. At some point when the pork product to beef product price spread gets back to levels that allow more balance to the relationship, we'll find the tipping point in pork. We aren't close to that level yet though, which is why I think in the long haul pork has upside potential yet and why beef may continue to struggle.

Beef product and cattle futures are becoming grossly oversold in the technical picture, although yesterday also included very solid new contract lows in live and feeder futures. At some point soon we'll see a dead cat bounce in this market. Tough to envision that in the very short run though because there was some negotiated cash trade in the central and northern feeding regions that was going on in the \$135-\$136 range and that's \$4-\$5 below last week.

Tomorrow afternoon we get monthly COF data. Average estimates have the On Feed number on September 1 at 103.4% of a year ago. Average placement guesses for August are 100.2% and average marketings are pegged at 94.6%.

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Cattle slg. ___111,000 -3k wa -2k ya

Choice Cutout __233.41 -.08

Select Cutout __225.03 +.02

Feeder Index: __203.40 -.35

Lean Index. __70.98 -.46

Pork cutout __83.64 -.33

IA-S.MN direct avg __not available due to confidentiality The national quote was 66.85 +.11

Hog slg. ___431,000 -1k wa +22k ya

Moving on to the grains, yesterday started with quite the debacle as the FSA prevent plant acres data dump apparently dumped all the wrong data and it moved some markets in the overnight session early in the morning because it looked ultra bearish. When the shock and awe of what everyone felt was huge errors in the first place had nearly worn off, they pulled the data and stated they made an error and the corrected information was dumped about midsession in the trade. In reality, the data had very little affect on the markets after the correction. The net affect was just more distrust in government data accuracy and reporting.

6-10 day forecasts last night were calling for above normal temps everywhere in the Corn Belt and Plains states. Precip was below normal for the Plains and Corn Belt. From a harvest progress point of view that's a good forecast. Just not so good for winter wheat development, or in areas where beans still have a ways to go before the finish line.

8:00 am export reporting showed a 228k mt soybean sale to China.

Weekly sales data was also released today. Big daily sales from last week in beans had the expectations high already and should have also been priced fully into the market. Soybean sales were friendly at 33.5 mln bushels. Also keep in mind, September 1 was the start of the new marketing year, so you shouldn't hear much talk about old crop versus new crop in anything but wheat for a while. Corn sales were neutral to a little bearish at 21 mln bushels. Milo sales were 100,000 bushels, which is very small, but yet better than nothing. Wheat sales were bearish at

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13.9 mln. Some were calling the wheat number bullish, but I don't get friendly to a wheat sales number unless it's close to 20 mln or better.

Pete Loewen

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Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

www.loewenassociates.com

peteloewen@cox.net

866 341 6700

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