



## **Loewen and Associates**

***Commodity Consulting/Brokerage***

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Date: 9.14.15

### **Morning Ag Markets**

#### **Matt Hines**

A drastic back and forth week is the best way to describe the cattle market. Limit up Tuesday on October and December live cattle with feeders up triple digits as well as a little overdone. Midweek trading was quiet but then Friday, new contract lows for live cattle and nearly limit down, along with sharply lower cash trade. Cash feedlot trade volumes were light throughout the week at steady to down \$2. Most of the trade was taking place in the North at \$140 to \$142 live and \$222 dressed with very heavy weights still to clean up and some shipments made to packers in the South. Friday's cleanup trade was even worse, down to \$137 to \$140 in NE and KS and \$217 to \$219 dressed in NE and IA.

Hog futures peaked two weeks ago with a subtle pull back from profit taking. The long term trend is still higher and pork prices vs. beef remain bullish to the hog market as well. Last week cash values and pork prices started to slip back though and October futures on Friday broke the \$68 support area as well so be cautious.

For the week, Friday to Friday, October Live Cattle up \$.12, December down \$.40, September Feeders down \$.65, January up \$.60, October Lean Hogs down \$1.82, December down \$.70.

Cattle slaughter from Friday estimated at 114,000 head, up 6,000 from a week ago and up 2,000 from a year ago. For the week, 501,000 head, down 55,000 from a week ago and down 88,000 from a year ago due to Labor Day last Monday. Year to date remains at 6.8% less than a year ago.

Boxed beef cutout values lower to sharply lower on moderate demand and heavy offerings.

Choice Cutout\_\_236.09 -2.97

Select Cutout\_\_226.73 -1.37

Feeder Index:\_\_205.18 -.36

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Hog slaughter from Friday estimated at 431,000 head, up 30,000 from a week ago and up 29,000 from a year ago. For the week, 2,040,000 head, down 131,000 from a week ago and down only 10,000 compared to a year ago. The year to date difference still increasing now out to 8.0% more than a year ago.

Lean Index. \_\_72.70 -.38  
Pork carcass cutout \_\_84.66 +.26  
IA-S.MN direct avg \_\_66.05 -.88  
National Average \_\_65.47 +1.05

Opening calls are mixed to weaker for futures. The aggressive triple-digit losses from Friday essentially wiped out the support seen early last week, and once again puts nearby contracts in a position of defending short term support levels. Sharp losses across all livestock futures Friday is leaving the door open for a mix of short covering and follow-through selling to be seen through early trade Monday. The lack of support in meat values and soft cash market activity at the end of the week could continue to put long-term pressure on the market. October live cattle have support at the \$140 area with the contract low at \$139.65. September feeders have support in the \$200 area with the contract low at \$195.60. October lean hogs broke support on Friday and look to reach down for the \$66 area with resistance up at \$70.

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It was report day for the grains on Friday so the week and leading up to the report the markets were subdued. We have continued to talk about the tale of two crops, west and north good vs. east poor. Now according to USDA we have corn yields down and soybean yields higher this month. Overall the market was looking for yields for both to come down slightly. USDA reduced corn yield 1.3 BPA and raised soybean yield by .2 BPA. Acres were again left unchanged and world wheat stocks soared but in the end corn pulled all the grains higher.

US ending stocks were not adjusted much this go around beyond the changes in production levels and beginning stocks. US corn to be used for feed was lowered 25 MBU and used for food was raised 5 MBU with production down 101MBU. Beginning stocks for the 2015/2016 crop year or ending stocks for the 2014/2015 crop year down 40 MBU which helped lower new crop ending stocks down 121 MBU. US soybeans crushed domestically was raised 10 MBU, seed down 2 MBU, production up 19 MBU and beginning stocks down 30 MBU

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pushed ending stocks down 20 MBU. US wheat ending stocks were raised 25 MBU as exports were decreased 25 MBU.

The world picture looks similar to US with corn stocks down but soybean and wheat stocks higher year over year. Wheat production increases in the EU and FSU continue to cause problems for US exporters. This week private estimates for Brazil next soybean crop are reaching as high as 100 MMT.

For the week, Friday to Friday, December corn up \$.24, March up \$.23 <sup>3</sup>/<sub>4</sub>, November Soybeans up \$.07 <sup>3</sup>/<sub>4</sub>, January up \$.07 <sup>3</sup>/<sub>4</sub>, December KC Wheat up \$.07 <sup>1</sup>/<sub>2</sub>, NC July up \$.07 <sup>3</sup>/<sub>4</sub>, December Chicago Wheat up \$.17 <sup>1</sup>/<sub>4</sub>, July up \$.16 <sup>1</sup>/<sub>2</sub>.

Overnight all grains were higher with corn supported by USDA's number and soybeans higher from more sales rumored into China. Corn finished 1 higher, soybeans 6 to 7 higher and wheat 1 to 3 higher.

Russia's Farm Ministry is proposing a cut to their current wheat export tax, while also increasing grain prices for volumes flowing into state held reserves. Meanwhile, SovEcon suggested the lure of higher grain prices supported by a weaker rouble will push Russian farmers to plant more winter wheat this coming winter. Planting is already ahead of schedule there at roughly 30% planted.

Harvest reports will be watched closely this week as we progress. We have done a few mini tours here the past couple weeks the general consensus is just not impressed. Soybeans have been hit from the recent heat and lack of moisture in many parts of the Corn Belt along with a lack of kernel depth on corn in some parts. USDA should issue a corn harvest update nationally this afternoon. Last year on this date corn harvest was 4% with a 5-year average at 9%.

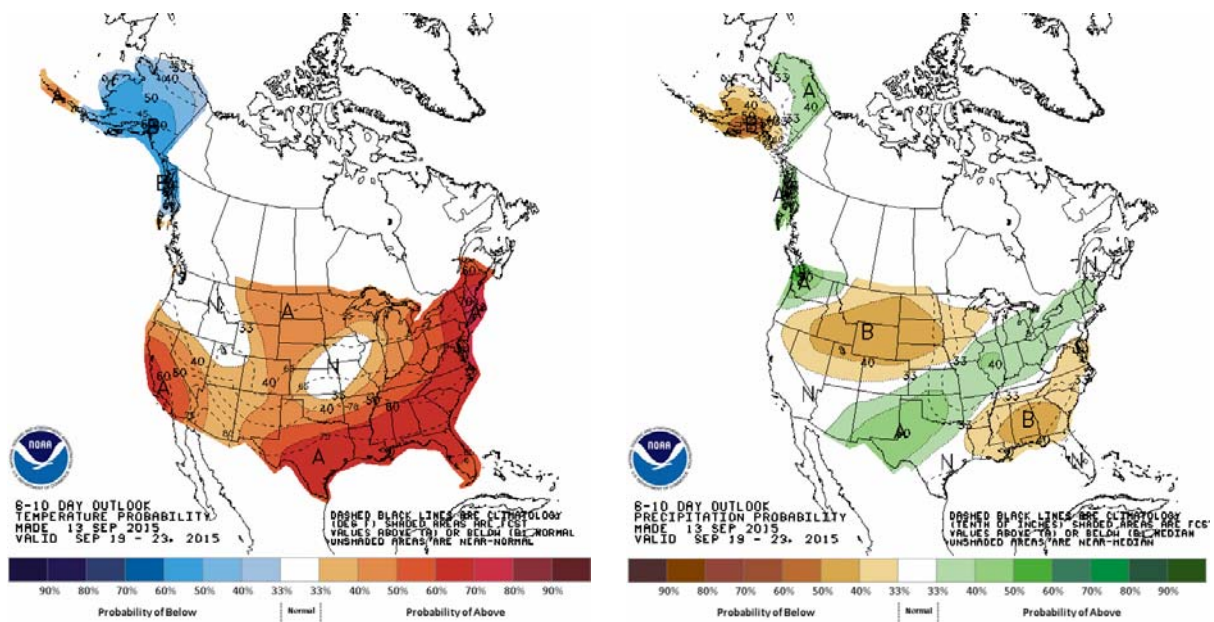
September contracts expire today which are important for the longer term weekly and monthly charts. Corn and wheat, key reversals higher on Friday and for the week while soybeans even show a reversal on the weekly chart now. December corn pushed right up to the 100 day moving average with additional resistance at from \$3.95 to \$4.00. November soybeans November soybeans took a stab into new contract lows to \$8.53 showing us that our recent range is vulnerable despite our reversal back. Resistance remains in the \$8.90 area while \$8.65 down to \$8.53 will act as key support. On the wheat charts, all three

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varieties have moved above their respected 10-day moving averages with contract lows some \$.20 below.

Rains last week were well above normal for the center of the country from MN and WI all the way to OK and AR. Rains seem to lose punch as they moved into the east. Some of the northern plains experienced light frost but crops there have been advanced in development and there was not much damage anticipated. There is another tropical storm expected to hit the SE late in the week. At the same time there is another system that moves across the northern plains getting into the western Corn Belt by Thursday-Friday. The 7 day precip map shows a band of 1 to 2+ inches from Eastern OK into the Great Lakes. The 6-10 day forecast shows above normal precip in same band but normal to below normal everywhere else and normal to above normal temps throughout.



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