



Date: 9.23.15

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Morning Ag Markets

Matt Hines

Packers are reportedly planning to slaughter additional cattle again this week. While this is not seasonally normal, and will put extra beef into the pipeline, the larger kills are needed to clean up the continuing backlog of cattle. It could take another couple weeks or more of strong sales to work through the supply of heavy cattle in Iowa. Light trade developed in Nebraska yesterday at \$205 dressed, down \$5 to \$10 from last week's range.

Boxed beef values were sharply lower with attractive features on pork and chicken this week. What the industry really needs is for retailers to pass along their savings in the wholesale market to consumers. Retailers have traditionally been slow to pass along cheaper prices, electing to keep prices stable for fear of having to raise them again soon. The problem with this is that it artificially suppresses clearance (and demand) as consumers chose cheaper alternatives.

August 31, 2015 Monthly Cold Storage Recap

- Total frozen poultry supplies at 1.265 Billion lbs. up 13% from a year ago
- Total stocks of chicken at 782 Million lbs. up 25% from year ago
- Total red meat in freezers at 1.172 Billion lbs. up 26% from a year ago
- Total beef in freezers at 470 Million lbs. up 36% from last year
- Total pork in freezers 656 Million lbs. up 21% from last year
- Frozen pork bellies down 42% from last month and down 70% from last year!

Cattle slaughter from Tuesday estimated at 113,000 head, up 1,000 from a week ago but down 2,000 compared to a year ago.

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

Choice Cutout__222.77 -2.77

Select Cutout__216.79 -3.36

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Feeder Index:___196.91 -1.13

Hog slaughter from Tuesday estimated at 430,000 head matching last Tuesday's total and up 10,000 from a year ago.

Lean Index.___71.43 +.16

Pork carcass cutout___83.50 -.18

IA-S.MN direct avg___69.00 -.31

National Average___67.05 +.15

October live cattle hit a new contract low yesterday at \$135.27 which also is just below the support level on the weekly chart back from May 2014. We should find some additional support in the \$130 area and overhead resistance around \$140. September feeders expire tomorrow so looking at the October contract now. The contract low is at \$184.62 with support underneath at \$180. October lean hogs still look strong technically and look to test the \$74 area next.

Over in the grains it was also turnaround Tuesday with the 2nd day in a row of much stronger US\$ and a sharp turnaround in the outside markets. Industrial output estimates from China were lower for the 7th straight month. Crop conditions unchanged for corn and better for soybeans started the pressure overnight, but there continues to be comments like “pleasantly surprised” or “happy” with bean yields vs. disappointment on corn yields.

Overnight, grains with a little bounce led by the wheat markets. Wheat finished 8 to 11 higher, corn 3 higher and soybeans 5 to 6 higher.

There are growing concerns over dry conditions both in Australia and Ukraine some say helping support the wheat markets this morning. Honestly it looks more like some buying to test resistance levels and remember US values are still \$1 plus premium to other competing exporters.

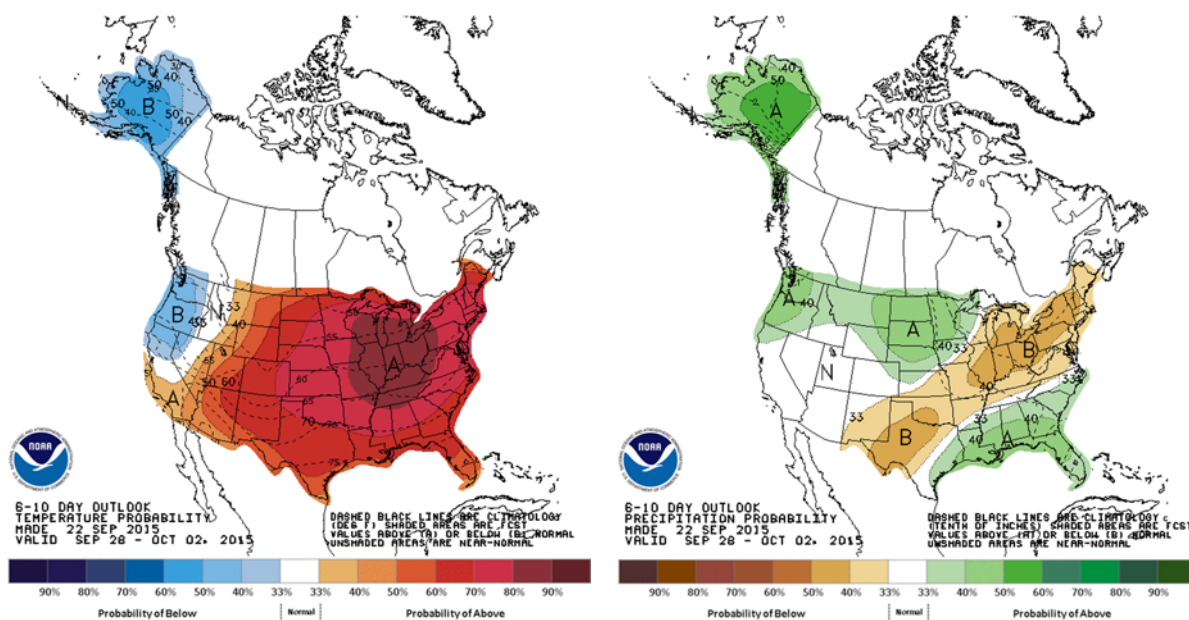
USDA reported this morning a private sale of 284,500 MT or 10.5 MBU of soybeans sold to China. Delegates will be in Iowa today signing contracts for new crop soybeans which has become an annual event this time of year. This is supportive to the marketplace but typically most of these deals have already taken place and been announced. Every now and then they will purchase some additional volumes though while visiting.

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Rains were light and scattered yesterday with more forecasted today from OK up into MN but not pushing East. The 6-10 day forecasts still holding above normal temperatures except in the PNW and below normal precipitation diagonally through the Corn Belt with above normal forecasted for the Northern Plains and the Southeast.

December corn has been back and forth of \$3.80 the past few sessions after the 4 consecutive days lower. Support is at \$3.75 with resistance at \$3.88 and \$3.94 to \$3.95. November soybeans have been choppy and range bound the past month and now back within 8 cents of the contract low. Resistance is seen at \$8.76 ½ and \$8.94 ½. Wheat futures are trying to push through last week's highs, overnight December Chicago was able to do so. The \$5 area has been a key level for both the December Chicago and KC contracts.



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