



## **Loewen and Associates**

***Commodity Consulting/Brokerage***

**Pete Loewen, Matt Hines,  
Doug Biswell, Matt Burgener**

**866 341 6700**

**www.loewenassociates.com**

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### **Morning Ag Markets** **Matt Hines**

Another limit move in cattle futures yesterday, limit lower, after Monday's inability to find a direction. Beef prices continue to fall along with all cash prices. Synthetically, or looking at the options trade, live cattle could have been down near \$5. Hogs continue to rally looking at a test of the \$74 area nearby. At some point with these two moving in opposite directions, the balance should come back in place.

Cattle slaughter from Tuesday estimated at 113,000 head, matching last Tuesday's total but down 3,000 compared to a year ago.

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

Choice Cutout\_\_209.31 -1.63

Select Cutout\_\_207.69 -1.73

Feeder Index:\_\_190.49 -.87

Hog slaughter from Tuesday estimated at 435,000 head, 5,000 more than a week ago and up 11,000 from a year ago.

Lean Index.\_\_72.01 +.15

Pork carcass cutout\_\_85.08 -.06

IA-S.MN direct avg\_\_71.02 +1.18

National Average\_\_69.80 +1.81

October live cattle contract low is at \$128.72 from last week which puts us at prices not seen for the past 2 years. The \$125 area may provide some support next. October feeders have a contract low at \$177.10 which compares to prices back from March 2014. The \$170 area will be watched for support. October

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lean hogs still look very strong technically and look to test the \$74 area from this past May next with support at \$71.15.

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Over in the grains it was a much quieter day with small gains for corn and soybeans and smaller losses for wheat on an overall two-sided choppy day. This may have been some consolidation or squaring of positions ahead of today's quarterly stocks report and end of month trading.

Overnight, grains were steady to higher with corn up 1, soybeans 2 to 3 higher and wheat steady to 2 higher.

The USDA is due to release the Quarterly Stocks data at 11 today. This is the easiest report to analyze from stance there is only one variable per commodity. The report will solve one piece of the S&D balance sheet puzzle - 15/16 carry-in. Average guesses for corn are 1.74 BBU vs. 1.23 BBU last year. The report has a history of offering up surprises, though typically only in years where carryout is exceptionally tight (2011-2013). Those who expect a bullish surprise argue that increased animal numbers should result in an inflated feed/residual demand. Those who expect a bearish surprise likely have a bias that last year's production was understated. The average estimate for soybean stocks is at 205 MBU vs. the very small 92 MBU a year ago.

Burdensome wheat stocks just aren't going away, and we'll likely get a reminder of that in the stocks report. The average trade guess for Sept 1 wheat stocks is at 2.149 BBU vs. 1.907 BBU at this time last year, with a 298 MBU range of estimates. We'll also get final 2015 production estimates, where the trade is looking for U.S. all-wheat production at 2.133 BBU. Winter wheat is estimated at 1.430 BBU, with the spring wheat crop seen at 625 MBU and durum at 79 MBU.

The EU Commission raised their estimate for 2015 EU soft wheat production to 144.6 MMT up from the previous estimate of 140.6 MMT. This compares to last year's record crop of 148.7 MMT. Corn production was estimated at 58.4 MMT vs. the previous estimate of 58.7 MMT.

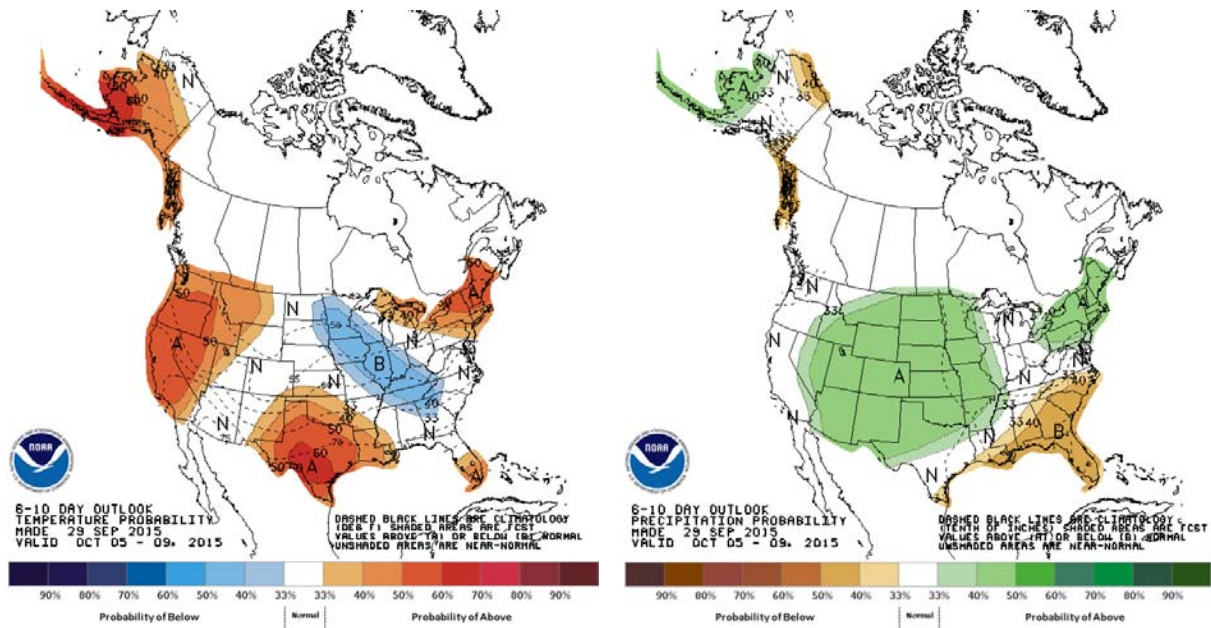
December corn has support at \$3.84 with resistance at \$3.94 currently holding a decent uptrend over the past two weeks. November soybeans have been choppy and range bound the past month and half from \$8.95 to the contract low at \$8.53 ¼. The first line of support is at \$8.75 and a breakout above would lead to test of

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the \$9.25 area. Wheat futures are holding a decent uptrend now 40 to 50 cents above contract lows.

Very light scattered rains over NE, SD, IA and WI yesterday. The delta and Southeast states were also wet. This morning we see rains over IA and WI slipping to cover parts of IL, MI, IN and OH. None are particularly heavy but more widespread than expected. The system from the Southeast has moved into the Midsouth and both of these systems will slow harvest activity. The 6-10 day maps show a more widespread above normal precipitation for the Midwest along with normal to below temperatures.



## Loewen and Associates, Inc.

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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