



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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The cattle trade yesterday was highlighted by higher trade in the deferred contract months and lower trade on the front two contracts. Spot October live is still sitting at a hefty premium to last week's cash though, which seems like a shoe-in for higher trade this week once again at the feedlot gate. Whether that premium between futures relative to cash was the cause of the lower trade on the front end is unclear though, it might have just been relating to unwinding of bull spreads. Futures have led the live cattle trade higher, with cash and product trailing behind the whole way since the bottom earlier this month. That rally has been sharp, leaving two major gaps on the charts and jumping \$20.62 from low to high in a very short period of time.

I made a really big deal out of how bearish the beef product trade was through September with only 1 lonely day where choice cuts settled higher in the afternoon cutout quotes and all the rest were lower. October has turned out to be a very solid month of gains. Certainly not an equal change of pace compared to September, because there have already been 5 days quoted lower in choice, but we're also on a string of 8 consecutive higher quotes now too. Beef has also gained a lot of new space recently in retail featuring at the grocery store. Unfortunately, that doesn't mean the prices are attractive relative to pork or chicken, OR that we'll see a continuation of beef garnering more of the ad space. A month ago, beef had moved very close to longer term high end averages in the price relationship with pork because it had fallen so much. Now that live cattle futures, cash and product have exploded higher, outpacing pork once again, beef is very rapidly going to fall back out of favor on the demand side of the balance sheet.

Cattle slg.___112,000 unch wa -1k ya

Choice Cutout__216.49 +1.11

Select Cutout__209.99 -.37

Feeder Index:___190.89 +.26

Lean Index.___74.32 -.03

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Pork cutout___89.64 +1.09

IA-S.MN direct avg___70.68 +.32

Hog slg.____417,000 -10k wa -3k ya

To summarize part of the week a little bit in the grains, turnaround Tuesday got a little bullish momentum going with all the grains and oilseeds higher two days ago. Yesterday it carried over into another strong session and did it without any notable fundamental backing. Last night's electronic session was more of the same with mildly higher prices across the board.

The wheat market in particular is the one that's really defying fundamentals over the last two days. Big rains have fallen and are still forecasted over High Plains wheat country and spilling into the Central Plains. Great for production, but not so great for price if it improves wheat conditions and emergence. 2-3"+ totals already in western parts of Kansas have that country set! Now it's just a matter of more moisture extending to the east from where it's at currently. The last 48 hours have solved a LOT of dryness problems, but they're not solved for everyone yet.

Weekly export sales numbers this morning followed the same pattern they have for a long time and that's bullish beans and bearish corn and wheat. The old crop soybean sales total was 74.6 mln bushels, which is great. Corn, not so great at 9.8 mln old crop bushels. That's very bearish. Wheat sales were 13.1 mln. While not pitiful like the corn, wheat sales were still bad and they have been bad for a long time now. Macro analysis of the export situation continues to show that wheat and corn values in the US export offers are still way too high relative to competing world exporters. In corn that isn't too terribly bad considering we're already faced with tightening stocks in the US. For wheat though, we have too much of it and so does the rest of the world, so it's going to take a downfall in production from a major producing country to generate any real legitimate rally potential in the market.

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