



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Yesterday's meat sector had hogs under mild pressure, but live and feeder cattle limit up on several contract months and that means expanded limits today. There wasn't any real clear cut catalyst for the huge run up in fats and feeders. In fact, two days ago they were both down hard without much reasoning, yesterday they were up strong without a lot of rhyme or reason either.

The reality is- it really isn't that unusual for \$1-\$3 gains or losses in either market these days, which I think is really unfortunate. To some extent that points towards a broken market that isn't functioning very well as a price discovery mechanism. Adding a little more misery to certain segments of the cattle industry over the longer haul, CME announced recently that they were going to once again change the weight range for the Feeder Cattle futures market contract specifications and therefore create changes in the Feeder Index as well. They are raising the range by 50 lbs beginning with the November 2016 contract. Moving away from the current 650-850 lb cattle that currently create the index and up to 700-900 lb cattle.

Now granted, from a grazer or backgrounders standpoint, this is a great move and should much better represent the weight of feeders currently being sold. However, for the cow/calf producer that for several years since they delisted the stock cattle contract that's had nothing except the feeder futures to use as a cross-hedge for what they were selling, this weight increase creates an even bigger dislocation from what a lot of them sell versus what they have to use as a risk management tool.

I guess in the end, maybe I shouldn't harp too much about it. The stocker cattle futures and options were delisted because they weren't being utilized enough to warrant keeping the contract. If CME resurrected it, I doubt it would be used much more than previously, outside of people like us using it.

Cattle slg. ___ 110,000 -2k wa +6k ya
Choice Cutout __220.14 +2.19
Select Cutout __212.20 +1.13
Feeder Index: ___193.85 -.14

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Lean Index. __ 72.75 -.54
Pork cutout __ 84.05 -.38
IA-S.MN direct avg __ 64.33 -2.02
Hog slg. __ 432,000 +14k wa +7k ya

Moving on to the grain and oilseed markets, closing quotes were filled with red ink. Corn and wheat losses were very mild. The soybeans approached double digit territory, yet closed just shy of 10 lower on the front end. Recent rains in Brazil have eased some of the fears on newly planted crops and as a result, soybeans led the lower trade. Realistically there hasn't been enough significant news lately to move markets in any major way, just day to day tidbits of news that sometimes creates no movement and other times just mild. I should probably add that the buzz about US corn imports headed towards the Wilmington port likely hurt the corn market yesterday a little bit too.

Export sales numbers this week showed larger totals in wheat and corn than what we've seen in recent weeks, but still not bullish by any stretch for those two commodities. Corn sales this week were 27.9 mln bushels of old crop. Milo sales were 5.7 mln which is decent. Soybean sales were 78.7 mln old crop and 2.5 mln new. I view those old crop sales as friendly. Actual cumulative sales for the marketing year so far are running 20% behind last year's, although shipments are 19% ahead of last year's pace, so that's a mixed bag of news. Wheat sales this morning were 20.2 mln bushels. I have said for a long time now that we needed to see wheat sales over 20 mln per week to call it friendly. This week's number was a start, but it's going to take it being a trend to change the bearishness of wheat sales so far this marketing year. The cumulative sales in wheat are still 88 mln bushels behind last year at the same time.

6-10 day forecasts last night were calling for above normal temps over the entire Plains and Corn Belt states, as well as above normal precip. It would be nice if central and eastern Kansas, as well as northcentral and northeast Oklahoma finally caught some desperately needed rain.

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