



Loewen and Associates

Commodity Consulting/Brokerage

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Date: 10.14.15

Morning Ag Markets

Matt Hines

So far this week we have seen sharply higher boxed beef prices on good demand and sharply higher prices at the sale barns for calves and feeders. Tuesday's cattle futures were lackluster at best just hanging around near unchanged, trading both sides for the most part, with nearby contracts posting positive gains. The market began on a firm note supported by follow-through buying after Monday's gains. Traders were optimistic about wholesale beef markets and cash direction this week. Some bullish ideas stemmed from Monday's acceptance of 25 contracts for delivery against the soon-to-expire Oct contract. The CME does not know the customers of the brokerage firms that accept delivery, but market rumors say it was a major packer. We have rallied some \$12+ in fats and \$15+ in feeders over the past week off the contract lows so a little "catch your breath" trading was due. Bids are starting to surface for cash feedlot trade with most expecting higher money again paid by packers but there are still some heavy cattle in the North that will get discounted like the handful that traded in Iowa at \$123 live, down \$2 from last week's average.

Cattle slaughter from Tuesday estimated at 112,000 head, down 2,000 from a week ago and down 4,000 compared to a year ago.

Boxed beef cutout values sharply higher for the 2nd day in a row on good demand and moderate to heavy offerings.

Choice Cutout__208.46 +3.16

Select Cutout__203.34 +4.22

Feeder Index:__185.52 +1.52

Hog slaughter from Tuesday estimated at 431,000 head, down 2,000 from a week ago but up 2,000 compared to a year ago.

Lean Index.__74.85 +.07

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Pork carcass cutout__88.92 -.55
IA-S.MN direct avg__72.58 +.93
National Average__71.40 +1.44

The market continues to hold a nearby bullish bias as the live cattle market bounces and cash feeder cattle markets stabilize. We did get near some of the first levels of retracements from the summer break here at \$139 in December live cattle and \$189 in November feeders, which could generate a little selling pressure. A 50% retracement of this entire June-October break would take us to \$142 in December live cattle and \$195 in November feeder cattle and as of right now I would expect that to be the best of our rally off of last week's lows. We should find some good buyer support back at \$134 basis December live cattle and \$180 basis November feeder cattle. The December lean hogs contract is also holding a decent uptrend but has been choppy the past few weeks. The \$70 area will be the target next with support near \$66 and \$64.

Grains started the day mixed but soybeans caught fire racing a quarter+ plus higher and closing near the highs. Wheat followed right along with 12 to 13 cent gains while corn did close near its high as well but up only a few. Export inspections were above expectations again for soybeans at 67.3 MBU yet disappointing for corn and wheat at 22.6 MBU and 10.7 MBU respectively. A new sale of 235,000 MT or 8.6 MBU to China also helped finally push the November contract back over the \$9 barrier sparking some additional buying, this was reported officially by USDA this morning.

After the close, USDA released the weekly crop progress and conditions report...

US corn mature now at 94% compared to 86% last week and last year with a 91% 5-year average. Harvest progress right in line with expectations at 42% complete now. Last week was 27%, last year at 23% and 43% 5-year average.

US soybeans dropping leaves at 92% compared to 85% last week, 90% last year and 91% 5-year average. Harvest progress in line with expectations and jumping ahead of the average pace now at 62% complete compared to 42% last week, 37% last year and 54% for a 5-year average.

US grain sorghum mature at 85% compared to 77% last week, 76% last year and 75% 5-year average. Harvest now at 51% complete compared to 43% last week,

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40% last year and 44% 5-year average. Kansas with 85% mature but only 37% harvested to date.

Winter wheat planted now in line with the average pace at 64% compared to 49% last week, 66% last year and 5-year average. Emergence at 33% compared to 20% last week, 41% last year and 36% 5-year average.

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

NOPA crush report for September is due out today with the average pre report estimate of 129.2 MBU off from 135.3 in August and 100 MBU last September.

The 6-10 day forecast still holding normal to above temperatures and precipitation except the East Coast. The first chance of freezing temps across the northern parts of the Corn Belt is forecasted this weekend with over 90% of the corn mature in MN, ND, SD but 80% in MI and WI.

December corn is likely to find support at \$3.80 to \$3.75 with the \$4 overhead barrier that if broken could lead to the next resistance area from \$4.05 to \$4.08. November soybeans got the buy stops over \$9.00 and set up more active producer selling. Look for support on a test of \$8.65 to \$8.60 and resistance at \$9.26 ½, the intersection of the 100-day moving average and 38% retracement line from the summer high to September low. Wheat futures flipped back above their 10-day moving averages now providing support. Both December KC and Chicago have resistance in the \$5.25 to \$5.30 area.

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