



## **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**

Cattle futures were sharply higher to end the week with cash markets picking up for both fats and feeders. The beef to pork ratio is still out of whack to justify cattle going higher but for the near term technicals have improved and cash along with it. Live sales in both the North and South ranged from \$134 to \$136, as much as \$8 to \$9 higher than a week ago. Dressed business in the North was mostly marked at \$205, nearly \$10 higher than last week's weighted average basis Nebraska. Hogs have pulled back this past week with pressure on cash prices adding concerns that the rally here may be topping.

For the week, Friday to Friday, October Live Cattle up \$5.17, October Feeders up \$4.82, December Lean Hogs down \$.55.

Cattle slaughter from Friday estimated at 108,000 head, up 2,000 from a week ago and up 5,000 from a year ago. For the week, 576,000 head, up 19,000 from a week ago and up 12,000 from a year ago. The year to date difference continues to come back now at 6.0% less than a year ago.

Boxed beef cutout values firm on Choice and weak on Select on light to moderate demand and moderate offerings.

Choice Cutout\_\_211.69 +.47

Select Cutout\_\_206.36 -.87

Feeder Index:\_\_188.01 +.65

Hog slaughter from Friday estimated at 434,000 head, up 4,000 from a week ago and up 26,000 from a year ago. For the week, 2,318,000 head, up 28,000 from a week ago and up 134,000 from a year ago. The year to date difference now at 8.1% more than a year ago.

Lean Index.\_\_72.40 -.19

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Pork carcass cutout\_\_89.31 +1.49  
IA-S.MN direct avg\_\_68.81 -2.01  
National Average\_\_68.66 -1.38

Opening calls this morning are steady to \$2 higher for both cattle futures and lean hogs. Technical buying and the sharply higher cash feedlot trade late last Friday should provide support for a decent rally today for cattle. Hogs should be pulled higher with the cattle futures and supported by the higher carcass values but rallies will be tempered with cash prices sliding. October live cattle and feeders have rallied over \$15 and \$18 respectively off their lows from 2 weeks ago. 50% retracement for October live cattle is near \$138 with that same target for October feeders at \$198.50. December lean hogs broke below the 10-day moving average which we have seen quite often over the past couple months. Holding the uptrend though will be key to extend the rally with support at \$63.50.

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Over in the grains, we ended the week lower pressured by collapsing soybean and wheat futures but corn had a positive day on Friday. Export sales were all within the expected ranges. Weekly Soybean export sales came in on the high end of trade estimates at 1.476 MMT or 54 MBU. This still leaves total Soybean sales 24% behind last year's pace at 860 MBU compared to 1.123 BBU a year ago at this time. Total sales to China now at 378 MBU compared to 658 last year. Corn sales came in midrange of trade estimates at 598,400 MT or 24 MBU. Corn sales are running 32% behind last year at 458 MBU vs. 678 MBU last year. Grain sorghum sales were 8,000 MT or 315,000 BU with total sales at 138 MBU vs. 103 MBU last year. Wheat sales were 460,400 MT or 17 MBU taking the year to date total to 435 MBU vs 529 last year. World wheat values have firmed \$20 to 25 a ton or 50 to 60 cents a bu. The issue is that US values have firmed right along so that US wheat continues at \$30 to 40 a ton noncompetitive at most destinations.

Forecasts have improved for Russian wheat growing areas in recent days with conditions needing a change from the cold/dry pattern of the past couple weeks. Meanwhile, down in Australia, forecasts continue to suggest difficult growing conditions for a crop which is trying to finish. Private estimates are grouping around 24.0-24.5MMT, despite the USDA staying steadfast at 27.0.

For the week, Friday to Friday, December corn down \$.06, March down \$.05 ¾, November Soybeans down \$.12 ½, January down \$.11 ½, December KC Wheat

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down \$.16  $\frac{3}{4}$ , NC July down \$.16, December Chicago Wheat down \$.17, July down \$.17  $\frac{1}{2}$ .

Overnight grains were under light pressure. Corn finished 2 lower, soybeans 1 lower and wheat 3 to 6 lower.

Yield reports from the western Corn Belt continue to come in with some very good numbers. The large Corn crop in the west is starting to take its toll on logistics with more and more reports of filled storage and Corn going to the ground. Trade looking for this afternoons USDA report to show Corn harvest 57% to 60% complete vs. 31% last year and 53% average for the date. Soybean harvest estimated at 77% to 82% complete vs. 53% last year and 66% average.

The charts for all the grains have turned bearish this past week, especially for corn and wheat. December corn is trying to hold the \$3.75 support with the contract low as the next line of support down at \$3.57  $\frac{1}{2}$ . Both Chicago and KC wheat had no chance of holding the \$5.00 level on Friday with pressuring building. The contract lows there are now in reach again at \$4.63 for the December Chicago and \$4.65  $\frac{3}{4}$  for December KC. November soybeans are still barley holding the uptrend but sitting right at support levels and the 10-day moving average.

Most of the US plains and Midwest have been very dry for October. There has been rains in the West and the SE but there has been very little interruption of harvest activity and wheat farmers are planting wheat in dry ground in hopes that rains this week will help get stands established before hard winter sets in. There were freezing temps across the northern parts of the Corn Belt this weekend but warming conditions come right back in this week. There are improved chances of rain for the Delta and Southern plains this week on the back of a tropical storm expected into the Gulf and expanding into the rest of the center of the country with light rains starting mid-week. The 6-10 day maps continue the above normal temperature forecasts with normal to above normal precipitation.

### **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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