



Loewen and Associates

Commodity Consulting/Brokerage

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Date: 10.27.15

Morning Ag Markets

Matt Hines

This week started out lower as the bearish cold storage report and disappointing cash action last week provided the pressure. We have been tracking the beef vs. pork values for years now and with beef prices charging higher and pork steady to lower the ratio is getting more out of whack. The reminder of additional pounds in the freezers was enough for traders to pull back the reigns some on the recent cattle market rally.

Recaps below of OKC & Joplin salebarns from yesterday...

Oklahoma National Stockyards, Oklahoma City, OK

Compared to last week: Feeder steers and heifers lightly tested and few sold steady. Demand good for limited numbers of feeders, despite the lower cattle futures today. Steer and heifer calves steady with the exception of those suitable for wheat pasture sold 10.00 higher. Demand for calves very good. Parts of the state saw some much needed rain late last week, thus boosting demand for calves

Carthage- Joplin Regional Stockyards

Compared to last week, steer calves steady, heifer calves under 500 lbs 5.00-10.00 lower, heifer over 500 lbs 2.00-4.00 lower, yearlings steady to 3.00 lower. Demand was moderate to good and supply was moderate.

Cattle slaughter from Monday estimated at 111,000 head, down 1,000 from a week ago and steady with a year ago.

Boxed beef cutout values steady on Choice and lower on Select on light to moderate demand and offerings.

Choice Cutout__217.06 -.11

Select Cutout__209.69 -1.21

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Feeder Index:___193.68 +.88

Hog slaughter from Monday estimated at 435,000 head, up 32,000 from a week ago and up 10,000 from a year ago.

Lean Index.____73.63 -.49

Pork carcass cutout____85.36 -.62

IA-S.MN direct avg____67.11 -1.48

National Average____67.09 -.91

There were no deliveries against the October live cattle contract last night. As expected cattle futures opened lower yesterday and never looked back. The weakness in the futures yesterday had more to do with the disappointing cash fat cattle market last week and ideas we are probably going to be a little lower this week. I don't think we are going to go back into a wreck like we were a month ago. Rather I think we are going to find out that the fair value of these fat cattle is going to be from the mid-\$130's to lower \$140's for the next several weeks and that is how we're going to trade the market. We'll probably get some week's through winter where we get some weather, get some better beef demand, and cattle numbers tighten up a bit and we can trade some cattle into the upper-\$140's/lower \$150's but for the most part I think a practical trading range for both cash fat cattle and futures could be from \$135-\$145. Actually the same type of range could start to develop in the feeder cattle between \$185-\$195. I would look for the cattle futures to remain under some pressure for most of this week and if we end up trading cattle at \$135-\$136 I would likely expect October to trade down to \$137 before it expires on Friday.

Currently...

Brazil received some much needed moisture but excess rains in the Southern Plains forecasted this week along with not enough materializing in Europe and Russia made wheat the leader to start the week and push prices for Chicago wheat quickly back above the \$5 barrier. Rumors are circulating that a cargo of Brazilian corn is scheduled for delivery into the Port of Wilmington, NC. Soybean imports could pick up as well with the strong US\$ and excess supplies in South American. This is concerning with fall harvest still underway.

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Crop Progress and Conditions – 10/26/15

US corn harvest now at 75% complete compared to 59% last week, 44% last year and 68% 5-year average. US soybean harvest now at 87% compared to 77% last week, 68% last year and 80% for a 5-year average.

US grain sorghum mature at 95% compared to 91% last week, 90% last year and 92% 5-year average. Harvest now at 71% complete compared to 61% last week, 55% last year and 61% 5-year average. Kansas with 96% mature and only 66% harvested to date.

Winter wheat planted now at 83% compared to 76% last week, 83% last year and 85% average pace. Emergence at 62% compared to 49% last week, 65% last year and 62% 5-year average. USDA issued its first winter wheat conditions report for the season with 47% good to excellent and 14% poor to very poor compared to last year's 59% and only 7%. The Kansas wheat crop was rated at 41% good to excellent and 15% poor to very poor.

Overnight grains flipped around with soybeans 5-6 higher, corn down 1 and wheat down 1-3.

6-10 Day Forecast: Normal to Above Temps and below normal precipitation in the Plains but above normal West and East.

The charts for all the grains have turned back slightly bullish since mid-last week. December corn found support in the \$3.72 area with resistance above at \$3.90. Both Chicago and KC wheat pushed above their 10-day moving averages on Monday with the \$5.18 to \$5.20 area resistance for both. November soybeans are still barley holding the longer term uptrend but the recent downtrend as pushed prices below the 10-day moving average now with support in the \$8.75 area.

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