



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

It seems like more days than not the past few, I get to be the one sharing with you limit moves in the cattle complex! Tuesday started as a mixed, low volume day but at little after 11 AM, cattle futures went from \$1 higher to limit higher and locked there for the day. The markets are very oversold technically but until we can get demand swinging back north the overall problems in the beef sector are not fixed from 1 limit higher day. Choice beef has only had 1 higher day from mid-August until yesterday losing over \$40 during that time.

Cattle slaughter from Tuesday estimated at 114,000 head, up 1,000 from a week ago but down 1,000 compared to a year ago.

Boxed beef cutout values steady on moderate to heavy demand and offerings.

Choice Cutout__204.17 +.20

Select Cutout__198.87 -.18

Feeder Index:__182.29 -.47

Hog slaughter from Tuesday estimated at 433,000 head, up 5,000 from a week ago and compared to a year ago.

Lean Index.__73.75 +.37

Pork carcass cutout__87.03 -.14

IA-S.MN direct avg__71.68 +.22

National Average__71.36 +1.00

Key reversals higher throughout the cattle futures are a good sign technically although not great since they were not directly after a new low yet still significant and we will see if it can carry forward here today. The new contract lows last week for both live cattle and feeders will be the first line of support at \$120.02 for October fats and \$174.65 for October feeders. The low in 2013 for

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live cattle was at \$118.15 whereas the 2013 low for feeders was is clear down at \$131.50. October lean hogs after pushing through the \$74 resistance area seem content in hanging near that level for the time being. Support is at the 10-day moving average near \$72.50 with resistance overhead at last week's high of \$74.50.

Grains were mixed to higher most of the day as well with wheat leading the charge higher. Support is still building as parts of the EU, FSU and Australia are concerned with dry conditions. Corn futures are also still looking good with this current uptrend and trying to break the \$4 barrier. Corn basis levels stepped back a bit yesterday in many areas most likely due to some producer selling as we approach that level. Basis levels had been firm in most of areas of the Corn Belt since harvest began. The same statements about corn and soybeans continue as harvest presses on, with corn not impressive and soybeans pleasantly surprising producers.

Overnight, grains were steady to higher with corn up 1, soybeans 5 to 6 higher and wheat 2 to 4 higher.

Ukraine says they have 16.5 MMT wheat available for export, 16 MMT corn and 3.8 MMT barley. This is 2.5 MMT less than the last USDA corn estimate and 3 MMT more wheat. Russian Ag minister says they have 30 MMT of wheat surplus for export but this is well above anything they have done in the last few years and may be pounding of the chest than actual fact. Harvest is 92% complete on all grain acreage with 98 MMT production compared to 100 MMT at this time last year.

Recent fundamental support in the grains coming from trade thoughts that the USDA Supply and Demand crop report this Friday will be Bullish along with the dry conditions in Australia and Black Sea region supporting wheat prices. Average trade estimates going into the report are lower than the USDA September estimates. Estimates for Corn and Soybean production, U.S. ending stocks and World ending stocks are all lower than last month's numbers.

Average estimates for USDA production crop report Friday.

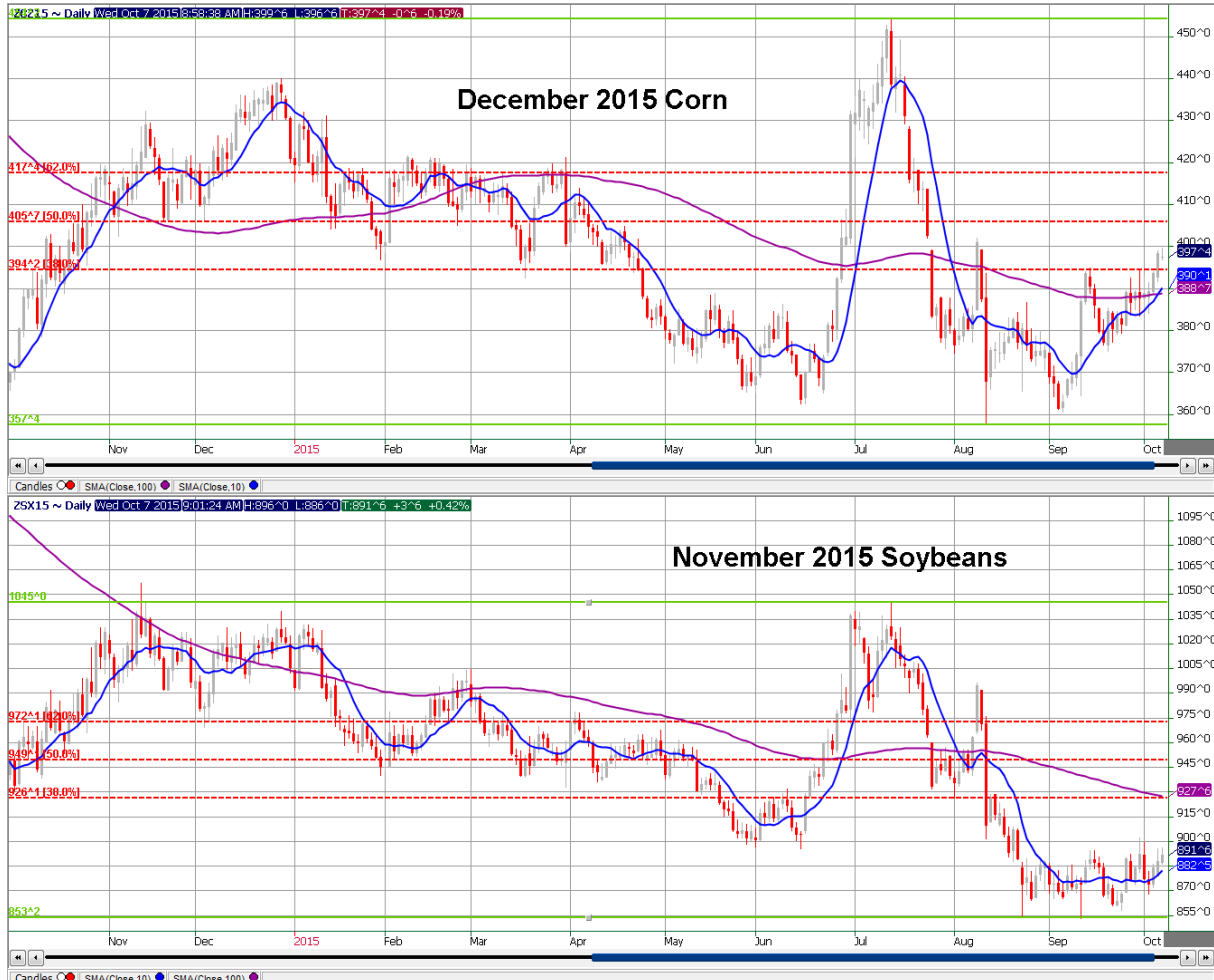
- Corn yield 167.1 vs. 167.5 in September; Production 13.504 vs. 13.585 in September
- Soybean yield 47.2 vs. 47.1 in September; Production 3.908 vs. 3.935 in September

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- Harvested Corn acres estimated at 80.8 vs. 81.1 in September
- Harvested Soybean acres estimated at 82.9 vs. 83.5 in September.
- US ending stocks for corn 1,534 vs. 1,592 in September
- US ending stocks for wheat 819 vs. 875 in September
- US ending stocks for soybeans 414 vs. 450 in September

December corn is still holding above its 10-day moving average providing support with resistance at \$4.00. November soybeans tested the \$9 area last week but seem content staying range bound for the time being with the contract low at \$8.53 ¼. Wheat futures continue their 5 week long uptrend now over 50 cents from contract lows.



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