



Loewen and Associates

Commodity Consulting/Brokerage

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Morning Ag Markets

Matt Hines

Another day lower for the livestock futures yesterday with feeders touching limit down right before the close but able to close just above those levels. Packers purchased a fair share already this week at \$115 live and \$184 to \$186 on a dressed basis. With yesterday's futures crash, all bids were pulled back and any cleanup trade for today looks to be on light volume and lower dollars than earlier this week.

Excessive heat is blanketing much of the country which is not only having a negative effect on near term beef demand but it is also keeping cattle feeders as willing sellers of live cattle to avoid having problems with them. Futures traders are viewing all this as negative to the market and keep selling the board on any near term strength. Now the focus will shift to today's cattle on feed report which will be released after the futures close today. Estimates are for 101.6% on feed, 106.1% placements, and 109.7% marketing's. The marketing number is a little positive as we sold more cattle than we placed last month but the fact we may have nearly 2% more cattle on feed than a year ago means we're not running out of cattle anytime soon. There is also a cold storage report due out later today that is expected to show beef stocks 4% below the previous month and 10% below a year ago. Pork stocks are expected to be 9% below the previous month and 12% below a year ago. Chicken stocks are expected to be down 1% from the previous month but 10% above a year ago.

Cattle slaughter from Thursday estimated at 113,000 head, up 4,000 compared to a week ago and up 5,000 from a year ago. This brings the week to date to 449,000, even with last week and 19,000 ahead of last year.

Hog slaughter from Thursday estimated at 430,000 head, down 1,000 from a week ago but up 12,000 compared to a year ago. This brings the week to date to 1,695,000, which is 9,000 ahead of a week ago and 54,000 more than a year ago

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Boxed beef cutout values weak to lower on light to moderate demand and moderate to heavy offerings for a total of 141 loads sold.

Choice Cutout__200.70 -.61

Select Cutout__189.82 -1.19

Feeder Index:__140.23 -1.05

Lean Index.__77.87 -.51

Pork carcass cutout__88.91 -.65

IA-S.MN direct avg__70.34 -1.21

National Average__69.86 -1.34

August live cattle punched a new contract low yesterday at \$107.10 which is the lowest spot price in the past 5 years. We should find some support in the \$105 area next. August feeders recent range is \$134 to \$146 with the downtrending channel lines at \$126 to \$146. August lean hogs completed the retracement last week but have extended into new recent lows every day this week. They stopped briefly at the \$76 area but pushed right through into the \$74 support area yesterday. I would expect any rally attempts today for the livestock to be sold pretty hard and fast.

Grains were choppy yesterday with corn reaching down for new lows while soybeans and wheat took a small bounce higher for the day. Export sales for corn were 14 MBU old crop with 20 MBU added to new crop. Total old crop sales are now 1.900 BBU vs. 1.841 last year and USDA projections of 1.825 BBU. Some will be rolled into new crop or cancelled but at least the current estimate by USDA, which has been increasing these past few months, looks obtainable. Soybean sales were 12 MBU and 37 MBU added to new crop. Total sales are 1.910 BBU vs. 1.861 last year and USDA projections of 1.760 BBU. China purchased two additional cargos and moved one from unknown. There is 262 MBU of old crop sales still open with over 60% still tagged for unknown destinations.

Grains were under pressure once again overnight with soybeans down 20, corn 3 lower and wheat 2 to 4 lower.

Cash grain movement has ceased with some movement off-farm taking place, but only into an unsold position in the elevator that will have to be priced prior to harvest. There is also wheat moving around looking for a place to store and

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earn the carries shown in the futures markets. There is a growing concern about what the elevator does this later this summer to be ready for the fall harvest. Too many places are full with old crop corn and new crop wheat.

Egyptian wheat purchases this past week continued to show the Russian and Ukraine sellers very aggressive and now not even the EU wheat competitive. There has been a growing concern about French crop size and quality. This may have finally sunk into that futures market yesterday with a big 6.50 euro rally breaking above the July highs. There may be some assuming that this will lead to better demand for US wheat, but we have our own problems here with a huge amount of lower protein hard wheat. This actually puts Russia and Ukraine right up front to sell wheat to the World until they are sold out.

Hot temps continue here for the Plains with as far north as SD hitting over 100 for the next couple days. It isn't so much the highs during the days mostly in the western portion of KS, NE and SD, but the overnight temps above 75 which are forecasted into MN, IL and IA. Most of the Corn Belt has good moisture though offsetting some of the impacts of this heat. The 7-day precip map is now showing 2-4 inches for most major growing areas. The 6-10 day forecast is still showing normal to below normal temps but above normal moisture.

Corn continues to press into new lows. September now eyeing the \$3.30 support area with lows back from the fall of 2014 down at \$3.18 ¼. December also into new contract lows with resistance up near \$3.64 but would really need to break out above \$3.80 to see a rally get going again. August soybeans pushed down to \$10.11 support overnight. November looking to test the 62% retracement level and breaking out of the current channel. Wheat contracts are still trading sideways here near new contract lows from earlier this week.

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