



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Date: August 3rd, 2016

Live and feeder cattle futures made a valiant attempt at one point to strongly follow through with the limit up action from Monday, but just couldn't hold the gains as the session progressed. Feeders closed just shy of \$1 higher on the front end, but lower from the November contract into the deeper deferreds. The front month August was another \$1.40 higher at one point during the trade. Live cattle finished very flat with mild gains on the front three and mixed trade in the more distant months.

After gaining \$1-\$2 in last week's cash trade and watching the futures move significantly higher over the last two weeks, cash cattle traders are showing considerable optimism. Beef packers are trying hard to protect margins by tightening kills a little bit, but I think the negotiating power is swinging some in favor of the feedlot. What the market really needs is some heavier spec involvement pushing the buy side on live cattle futures to keep that optimism brewing. August fats traded above and closed above the 100 day moving average yesterday and the October needs to get above \$155.50 to do the same. That's 62 cents away from yesterday's close. If they both push above that 100 day number, that's technically going to look pretty bullish for cattle.

One item that still concerns me for cattle is the fact hogs have been moving actively lower, while cattle go up. That spot month spread moving back outside of historical ranges has the chance to either be an anchor on live cattle advances, or a helpful tool in helping hogs find a bottom. My hopes are its hogs that make the change and not the cattle.

Favorable weather, huge FC Stone crop production forecasts and improvements in corn and soybean crop conditions from Monday's crop progress and condition report helped keep a lid on price potential yesterday. Some of the bean contracts were down in the double digits, extending on the previous day's 30-40 cent losses. Corn was only fractionally lower at the finish and wheat was mildly lower in the range of 2-5 cents.

World export trade talk over the last couple of days has some highlights. For wheat, Egypt tendered for Sept delivery on Monday and filled it with 60k mt's of Russian wheat, squashing

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thoughts Russia's prices would move up enough for outside competition. For corn, Brazil has been contemplating allowing GMO imports for animal feed only, which could be a big help for US corn export interest if it happens. In the beans, we've had quite a few consecutive days of very strong new crop sales announcements in daily reporting as well as moderate business in old crop. The big picture for all this talk is that US wheat still isn't cheap enough, beans are finding some value for foreign buyers at lower money and corn has good potential in front of it if Brazil becomes a buyer.

Today's lineup of 8 a.m. USDA export reporting was long and distinguished. 290k metric tonnes of US new crop corn was sold to unknown destination. 256k tonnes of US beans were sold to unknown with 66k of the total old crop and the balance new crop. There was also 441k mt's of new crop US beans sold to China. Bullish news all the way around for the fall crops, nothing for wheat...

6-10 day weather moved to above normal temps for the entire Plains and Corn Belt. Tempering the heat though was above normal precip for the entire Corn Belt, although moisture from Central Kansas, west and south was normal to below normal. For corn and beans there's probably more bearish in that forecast than bullish. If they pull some of the moisture out in coming days, it gets friendly really quick, especially for beans.

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