



Loewen and Associates

Commodity Consulting/Brokerage

**Pete Loewen, Matt Hines,
Doug Biswell, Matt Burgener
866 341 6700**

www.loewenassociates.com

Date: August 15th, 2016

Morning Ag Markets

Matt Hines

Cash cattle trade held off until late Friday with some \$119 live reported in KS which is steady to \$1 higher than the week previous. Light volume also reported in the North at \$187 dressed which was steady to a \$1 lower than a week ago. Large showlists are expected for this week with most seeing packers short bought that could trigger some early sales. \$118 fats and \$150 feeders have been the most recent tops on the board finding resistance pushing futures back lower.

**NATIONAL FEEDER & STOCKER CATTLE SUMMARY - Week Ending
08/12/16**

Receipts: This Week: 466,100 Last Week: 275,700 Last Year: 229,700

Compared to last week, calves and yearlings traded mostly steady to 5.00 higher. Signals from last week's higher fed cattle trade, cattle futures staying in mostly positive territory along with a large corn crop looming on the horizon have helped to keep the uptrend intact. Over the last couple of weeks CME cattle futures have been driven by good support after a long winding and rocky road has continued to make headway without giving too much back. The cattle market has consistently been one of disappointment on rallies higher and caution should be approached as cattle futures sold off on Thursday taking a pause on their push higher. Market fundamentals seem to have improved and hopefully some equilibrium has been established in this market. Demand for feeders, especially yearlings remains very good, given gains in fed cattle values and lower corn prices.

For the week, Friday August 5th to Friday August 12th, August Live Cattle down \$1.35, October down \$1.00, August Feeders down \$.57, September up \$.35, October Lean Hogs up \$1.70, December up \$.87.

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Cattle slaughter from Friday estimated at 112,000 head, up 5,000 from the week previous and up 8,000 compared to a year ago. For the week, 581,000 head, down 4,000 from the week previous but up 37,000 compared to a year ago.

Hog slaughter from Friday estimated at 410,000 head, down 11,000 compared to a week ago but up 6,000 from a year ago. For the week, 2,236,000 head, up 43,000 from the week previous and up 21,000 compared to a year ago.

Boxed beef cutout values weak on Choice and higher on Select on light to moderate demand offerings for a total of 114 loads sold.

Choice Cutout__201.19 -.39, +2.19 for the week

Select Cutout__193.62 +.80, +3.42 for the week

Feeder Index:__147.95 +.13

Lean Index.__67.57 -.63

Pork carcass cutout__74.76 -.13, -2.19 for the week

IA-S.MN direct avg__64.55 +1.67

National Average__62.77 +1.29

August live cattle topped out at \$117.75 last week and were pulled back into support levels. October has found support at \$113 with resistance up near \$116. Feeders were able to reach the \$151+ level for August and just shy of \$150 for September finding a wave of sellers ready to hit the market at those levels. The first line of support for September sits just above \$144 with additional support at \$142. October lean hogs tried a run higher Thursday but was unable to hold gains followed by Friday's move higher again that did hold. The contract low from 8/4 is down at \$57.57 providing support with resistance up near \$61.

Overall the trade was expecting big corn yields due to the USDA methodology-- -population counts added with record corn condition rating and 175.1 BPA is huge! Corn production is forecast at 15.2 billion bushels, up 11% from last year. The average trade yield guess for national corn yield was at 170.6 BPA, the range of expectations from 168 to 175. The new crop carryover was expected to be at 2.25 BBU with a range of 1.968 to 2.55 billion and estimated now by USDA at 2.409 BBU. Old crop ending stocks increased 5 MBU from imports raised 5 MBU, ethanol down 25 MBU offset by exports up 25 MBU.

USDA has been slow to adjust bean exports and many were looking for an increase to old crop exports which happened on Friday. 2015/2016 soybean ending stocks were reduced by 95 MBU from an increase in exports of 85 MBU

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and domestic crush of 10 MBU. They do not do intensive field checks for the Aug report, but still raised soybean new crop yield to 48.9 BPA. New crop ending stocks are now forecast at 330 MBU, only coming up 40 MBU with the reduction in beginning stocks offsetting a little more than half of the production increase. Another way to look at this, we have to raise 48+ BPA soybeans this year to have ending stocks above 300 MBU.

This was not a big wheat report, but ending stocks for the 2016/2017 were decreased by 5 MBU to 1.1 BBU. Yield was increased from 51.3 to 52.6, increasing production 60 MBU. Imports were reduced by 5 MBU, food usage increased 5 MBU, feed usage increased 30 MBU and exports increased 25 MBU.

For the week, Friday August 5th to Friday August 12th, September Corn down \$.02, December down \$.01 ¼, September Soybeans up \$.11, November up \$.07 ¼, September KC Wheat up \$.04 ½, December up \$.05, September Chicago Wheat up \$.06 ½, December up \$.02.

Overnight soybeans came out of the gates roaring higher and finishing up 16 cents. Export demand continues to be very strong for both corn and soybeans and it still appears the market does not believe the USDA production numbers. Corn finished 2 to 3 higher with wheat steady to 3 higher.

Most are expecting crop conditions for both corn and soybeans to remain unchanged or drop 1% in this afternoon's weekly update.

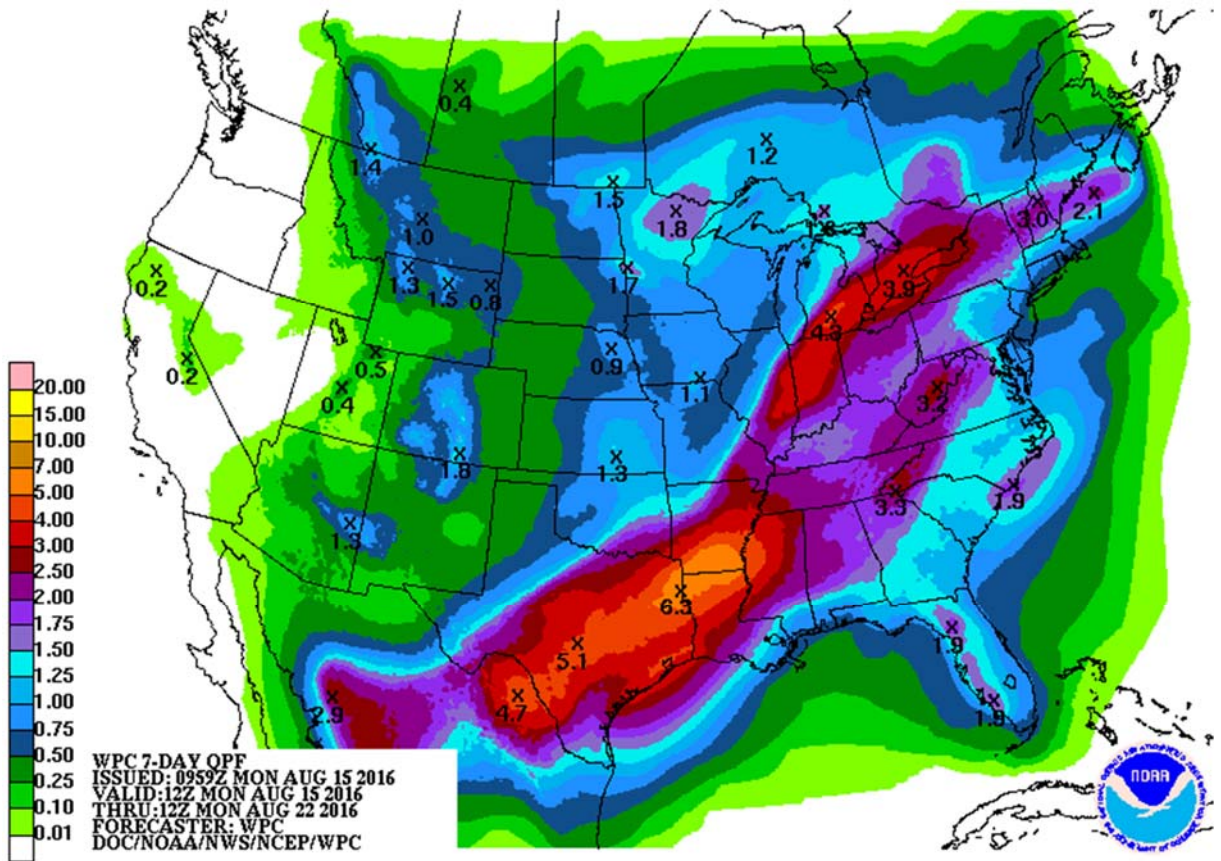
Corn futures reached down for new contract lows after the report on Friday but came back above the \$3.20 line for September and \$3.30 line for December. It is still a tight trading range for both with breakouts a dime on either side that will lead to either additional sales on the downside or funds buying back short positions to the upside. November soybeans reached down for a low on 8/2 at \$9.43 and finding resistance at the \$10 level. A push above the \$10.06 high from late July would get the market excited again. September KC wheat still holding above the \$4 level, chopping in a \$.30 range since late June. September Chicago did reach down below \$4 on 8/1 but since has carved out a dime range with resistance up at \$4.27 ½.

Over the next few days the forecast is showing an additional 2-5+ inches from the Mid-Miss Valley through the Upper Great Lakes. Abundant tropical

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moisture will remain in Texas and the Lower Mississippi Valley with another 2-4 inches expected. All ready max totals of 31 Inches in LA, 22 inches in Mississippi, 12 inches in Missouri, 8 inches in Texas and Illinois, and 5 inches in Indiana. New rains late in week for the Plains and lower Miss Valley and by weekend C and E Corn Belt again. Widespread, substantial cooling too. 7-day totals 4-6 inches TX and Lower Miss Valley, 2-4+ inches C and E Corn Belt, mid-South into New England, and 1-2 inches N and C Plains, WCB, Southeast and C Gulf States. The 6-10 day runs from last night continue to show below normal temps for most of the country and above normal precip central and east.



Loewen and Associates, Inc.

Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

www.loewenassociates.com pete@loewenassociates.com matt@loewenassociates.com

866-341-6700

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