



## **Loewen and Associates**

***Commodity Consulting/Brokerage***

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### **Morning Ag Markets**

**Matt Hines**

Cattle and hogs moved in opposite volatile directions to finish out last week. Cash cattle trade was sharply lower last week from \$115 live down to \$112 to wrap it up and \$184 down to \$180 on a dressed basis. There was some light trade Friday even as low as \$179 to \$175 in Nebraska.

#### **NATIONAL FEEDER & STOCKER CATTLE SUMMARY - WEEK ENDING 08/26/2016**

RECEIPTS:	Auctions	Direct	Video/Internet	Total
This Week	163,100	38,000	48,100	249,200
Last Week	151,900	40,200	800	192,900
Last Year	139,000	30,700	202,400	372,100

Feeder steers and heifers sold 4.00 to 6.00 lower. Pressure increased all week as CME futures turn downward and continued this trend for most of the week. Feeder supply was moderate with a pretty wide variance of the spectrum available once again this week, both in quality and quantity. With grain harvest just around the corner and the onset of the fall run, buyers were eager to get cattle bought at current values. Dried distiller grain values continue to decline resulting in feeders being reluctant to pay for soymeal and this could start impacting the soybean crush margins.

As we move forward into the fall, producers are stressing the importance of staying current. Packers have tremendous margins, and are operating with a comfortable amount of inventory available. The last thing producers want to do is get backed into a corner with heavy weight, yield grade 4 and 5 cattle that could be detrimental to the already struggling slaughter cattle market. The monthly Cattle on Feed report came out last Friday and was viewed as slightly bearish. Placements and inventory were both marked at 2 percent above year ago levels. Box beef cutouts have been fairly flat over the last few weeks with

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the Choice managing to stay just over the 200.00 mark. Following Labor Day, which reflects the symbolic end to grilling season, generally is a point in which demand for beef starts declining as the year nears end. There is also little doubt that feeder supplies coming to town, which will eventually end up on wheat pastures or in feedlots, are going to increase.

For the week, Friday August 19<sup>th</sup> to Friday August 26<sup>th</sup>, August Live Cattle down \$3.20, October down \$3.90, September Feeders down \$3.92, October down \$5.25, October Lean Hogs down \$.60, December down \$.82.

Cattle slaughter from Friday estimated at 112,000 head, even with a week ago and up 4,000 compared to a year ago. For the week, 600,000 head estimated, up 1,000 from the week previous and up 47,000 compared to a year ago.

Hog slaughter from Friday estimated at 428,000 head, also even with a week ago and up 24,000 compared to a year ago. For the week, 2,266,000 head estimated, down 25,000 from the week previous but up 41,000 compared to a year ago.

Boxed beef cutout values weak to lower on light to moderate demand and moderate offerings for a total of 131 loads sold.

Choice Cutout\_\_199.48 -.88

Select Cutout\_\_193.57 -.58

Feeder Index:\_\_146.11 -1.18

Lean Index.\_\_66.90 -.14

Pork carcass cutout\_\_76.39 -.14

IA-S.MN direct avg\_\_61.03 -.95

National Average\_\_60.68 -1.00

October live cattle have settled lower 12 of the last 13 trading sessions. Friday's sharply lower trade now bring us to around \$1 from the contract low back in July at \$105.25. September feeders were unable to push through the \$150 level earlier this month and have been lower now 11 of the last 13 trading sessions. The contract low is down at \$133.15. October lean hog contract low is down at \$57.62 from earlier this month which looks primed to test yet again. Although hogs have been in a very choppy \$5+ trading range over the past month.

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Rough week in the grains as well with all down hard on Friday and for the week. Export sales were impressive but weather has most certainly added bushels to

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beans here in August. The Pro Farmer crop tour wrapped up this week with a soybean yield estimate at 49.3 BPA, up from USDA's 48.9. Their corn number though was more in line with trade estimates at 170.2 vs. USDA's 175.1.

The International Grains Council on Thursday raised its forecasts for both world wheat and corn production in the 2016/17 season. The IGC projected world wheat production in 2016/17 at 743 MMT, up from a previous forecast of 735. World corn production in 2016/17 was seen at 1.030 billion MT, up from a previous projection of 1.017 billion.

Egypt tendered for 55,000 MT or 2 MBU of soft wheat with the lowest offers coming out of Russia. They ending up purchasing 180,000 MT or 6.6 MBU of Russian wheat for October shipment and reportedly paid \$185/MT delivered. As of Friday, prices paid for SRW delivered to the US Gulf ranged from \$170 to \$182/MT.

For the week, Friday August 19<sup>th</sup> to Friday August 26<sup>th</sup>, September Corn down \$.18, December down \$.18 <sup>3</sup>/<sub>4</sub>, September Soybeans down \$.36 <sup>1</sup>/<sub>4</sub>, November down \$.37 <sup>1</sup>/<sub>4</sub>, September KC Wheat down \$.29, December down \$.28, September Chicago Wheat down \$.43 <sup>1</sup>/<sub>2</sub>, December down \$.37 <sup>1</sup>/<sub>4</sub>.

Overnight, grains continued under pressure with wheat 7 to 9 lower, soybeans 4 to 5 lower and corn 1 lower.

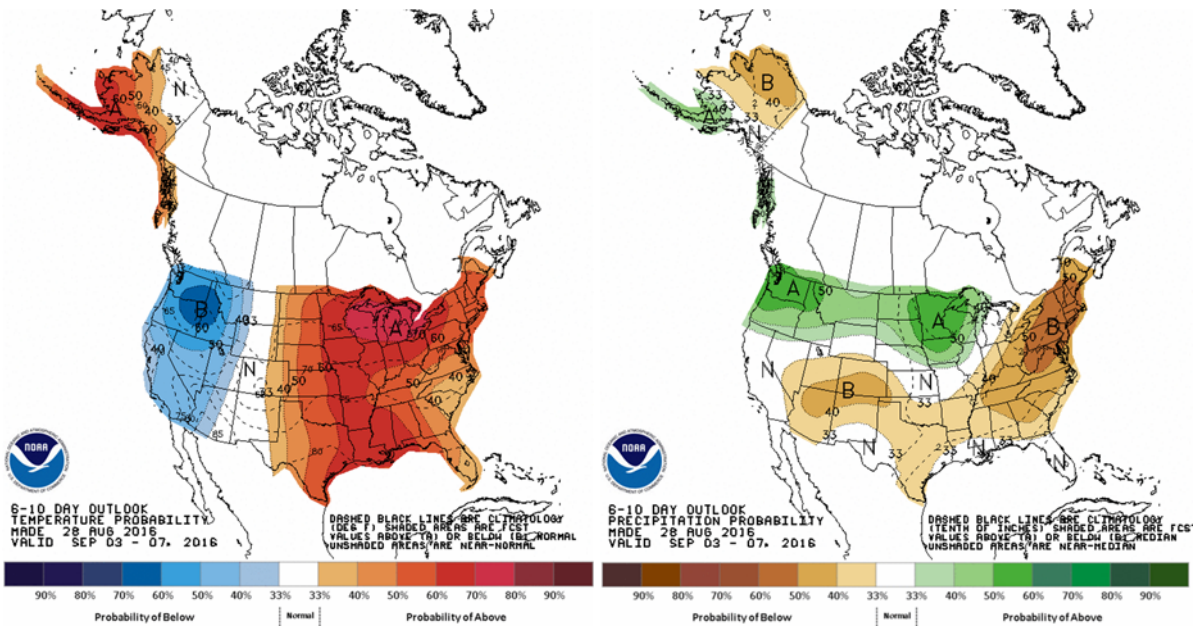
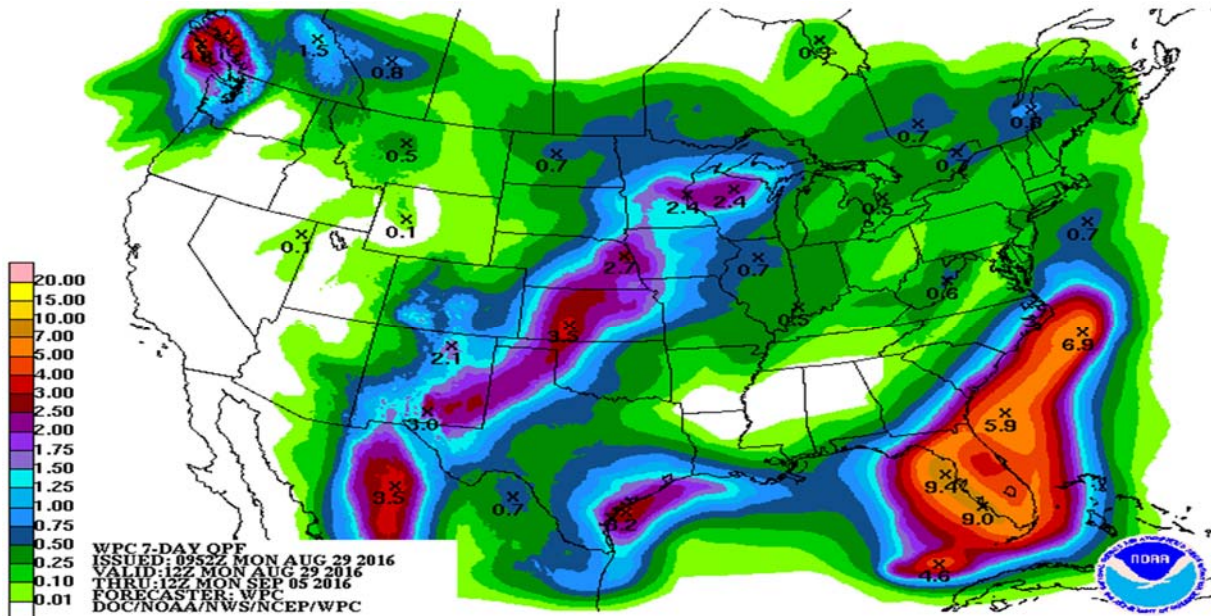
USDA announced a private sale of 393,000 MT or 14.4 MBU of new crop soybeans sold for unknown destinations. The annual Chinese buying delegation will be here in the US this week and most looking for potentially a big soybean deal.

December corn below the \$3.30 support level and within a penny of the contract low at \$3.22 <sup>1</sup>/<sub>2</sub> overnight. We would need to push past the \$3.46 to \$3.50 area to get buyers excited again. November soybeans have been very choppy this past month with a range from \$9.43 up to \$10.20. So far we have found some support around the \$9.60 area but a test of the \$9.43 low this week looks very possible. New contract lows in all the wheat markets Friday and continued lower overnight. We are now into the 10-year low areas with wheat.

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Scattered rains continued to fall across the Midwest over the weekend. Over this next week a band of 2-5" is projected from the SW, through the Plains and into the Great Lakes. The 6-10 day runs from last night show above normal temps Central and East and below normal for the western 1/3 of the US. Precipitation is normal to above normal from the PNW to the Great Lakes and normal to below normal elsewhere.



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