



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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

www.loewenassociates.com

Date: September 13th, 2016

Cattle complex futures enjoyed solid gains on Monday and with those gains came an interesting twist in the basis game in the fed cattle trade. Last week's live market cash was \$105 from north to south. Yesterday's spot month October live cattle futures settled at \$105.70. So, based on last week's cash, that now presents a negative basis of \$.70. Negative basis is something we haven't seen this far ahead of expiration in a long, long time. In addition to the negative basis, when August fats were the front month, they expired at a price more than \$5 above October. Historically the August live contract expires several dollars lower than October.

I think it's maybe safe to assume given the very wide positive basis we've seen for so long, that cash now has a very good chance at a steep rally this week. While I can't very well explain the abnormally strong basis we've seen for so long, by the same token, I can't see any recent development that should create a shift to negative basis. If that is the case, look for a big jump in cash this week barring some major fallout in the futures trade.

Cattle slg. ___ 114,000 Labor Day last week +4k ya
Choice Cutout ___ 187.53 -.37
Select Cutout ___ 181.22 -1.05
Feeder Index: ___ 135.24 -1.43
Lean Index. ___ 64.07 -.13
Pork cutout ___ 81.03 -.64
IA-S.MN direct avg ___ 57.90 -.50
Hog slg. ___ 440,000 Labor Day last week +5k ya

Grain and oilseed trade waded through the September Crop Production and Supply and Demand reports without any excessive volatility. There were some surprises in the numbers, namely last year's soybean ending stocks and this year's soybean yield and production numbers. August ending stocks for old crop beans were 255 mln bushels. USDA cut those 60 mln for a final tally of 195 mln bushels. Effectively, that made the carryin for new crop 60 mln lower, which helped tame the shocking 50.6 bu/ac yield and 4.201 bln crop they threw at us yesterday for new crop bean production. The August number on yield was 48.9 and the average guess was

Copyright © Loewen and Associates, Inc.

This does constitute a solicitation to buy or sell commodities futures and/or options. The information contained herein is provided for informational purposes only. The information is not guaranteed as to its accuracy or completeness, although the information was taken from sources we believe to be reliable. The market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading commodity futures and options. The risk in trading can be substantial; therefore only genuine "risk" funds should be used.**

49.4. Yesterday's 50.6 bushel yield was even over the top end of the range of pre-report guesses by ½ bushel!

A big picture look at new crop ending stocks domestically showed wheat at 1.1 bln which is extremely excessive. Soybeans at 365 mln is in the comfortable range. However, the problem with a 365 bean number is USDA has started out the last several marketing years with big bean stocks guesses and grossly underestimated demand, as noted by the 60 mln cut in old crop stocks yesterday. With that track record, nobody actually believes anything they put out for bean demand. The supply number I'll agree with, just not the demand. Corn stocks at 2.384 bln are bordering on excessive, yet at the same time I will tell you we think by the January final crop production tally the yield will be cut to 170 or slightly lower. If that happens, ending stocks are closer to 2 bln even, which is a much more manageable number and not as bearish.

The wildcard in the next report will be acreage numbers. Thoughts along that line is we'll potentially see larger corn and soybean total acres, which would make a 50+ bean yield very bearish and a 170 or below final corn yield not nearly as supportive.

8a.m. export reporting showed no new major sales. China did however, buy 4-5 cargos of Brazil beans yesterday.

6-10 day weather is showing above normal temps everywhere except the Southern High Plains where temps were normal. Precip chances were above normal from Central Kansas south and normal to below north and east of that area.

Crop progress and condition data yesterday showed corn harvest 5% complete vs. 4% last year and compares to 7% average. Corn was rated 74% good to excellent vs. 74% last week, 68% last year and 68% average. The trade was looking for Corn to be rated 73% good to excellent this week. Corn ratings at this time of year start to lose their importance as the plant is shutting down. Soybeans were rated 73% good to excellent vs. vs. 73% last week, 61% last year and 58% average. The trade was looking for Soybeans to be rated 72% good to excellent this week. Winter Wheat planting was reported 6% complete vs. 7% last year and compare to 8% average.

Pete Loewen

Loewen and Associates, Inc.

Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

www.loewenassociates.com

Copyright © Loewen and Associates, Inc.

This does constitute a solicitation to buy or sell commodities futures and/or options. The information contained herein is provided for informational purposes only. The information is not guaranteed as to its accuracy or completeness, although the information was taken from sources we believe to be reliable. The market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading commodity futures and options. The risk in trading can be substantial; therefore only genuine "risk" funds should be used.**