



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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

www.loewenassociates.com

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The wind came out of the sails in the cattle market volatility on Tuesday. Front month October live futures traded in only a 90 cent range from top to bottom and front month feeders were even narrower. Both the live and feeder futures settled mildly lower with very little fresh news. Hogs were mild to moderately higher, but the high finish came after posting new life of contract lows earlier in the session again.

Pork packer margins inflated even more yesterday with cutouts up and cash hogs lower once again. The deep discount in December futures compared to the front month October, along with the steep downtrend in futures is providing zero incentive for producers to hold out for better cash. Consequently, I don't see any reason for the trend in cash to really change much. Kills and production are big and pork along with poultry are still the value leaders in the retail trade compared to the much higher priced beef yet.

Following the close on Friday we get the release of the September COF numbers from USDA. The range of expectations on the Sept 1 On Feed total are from 100.3% to 101.7% of a year ago. Placements in August have guesses from 108.6% to 118%. Marketings in August are pegged at a huge 114.7% to 117.9% of last year. Before you get too overly bulled up to that marketing number though, there were 2 extra business days last month compared to August 2015 and that accounts for an approximate 9.5% inflation in the data. Yes, marketings will be up nicely from last year, but in real numbers likely not in the double digits like the report will indicate in the raw data.

Cattle slg.____ 114,000 +4k wa +2k ya

Choice Cutout__185.50 -.05

Select Cutout__179.95 +.78

Feeder Index:____134.55 +.41

Lean Index.___ 61.61 -.59

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Pork cutout___81.12 +.85

IA-S.MN direct avg___52.78 -.98

Hog slg.____ 439,000 +2k wa +7k ya

Grain and oilseed trade finished higher in the fall crop markets and mostly higher in wheat. Soybeans were the leader with 15-17 cent gains and most of the chatter surrounding that strength was coming from wet harvest forecasts on the horizon. The interesting side of that is watching a futures market knocking at the door of \$10 again on the front end in the midst of a 50+ bushel per acre USDA forecast for this year's crop. Odd trade in my opinion. It's also trade that is producing a rally that I think should be rewarded with some more sales. Not only do we have a monster yield estimate at the moment, but there's also decent odds that more harvested acres will be added in the next report in October. Not only for soybeans, but for corn as well.

6-10's last night continued to show above normal temps over the entire Corn Belt along with above normal precip over the entire Plains and most of the Corn Belt. Ohio east was normal to below precip.

8 a.m. daily export sales announcements were full of friendly news today. In beans there were three 100k+ mt sales reported. 118k mt's of US beans sold to Taiwan, 120k mt's sold to China and 126k mt's sold to unknown destination. There was also a 145k mt sale of US HRW wheat to Morocco. I had to do a double take at that sale to make sure it wasn't an error in the typing. That's great news for wheat, which in the US market has been firmly priced out of the major world export trade for a long time. Hopefully it will generate some buying today in futures.

Pete Loewen

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