



## **Loewen and Associates**

***Commodity Consulting/Brokerage***

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### **Morning Ag Markets**

**Matt Hines**

It was a red Tuesday across the grain and livestock screens with equities and energies sharply lower as well. Feeders were able to climb back \$1 off the lows but still finished triple digits lower along with fats and hogs. Hog margins are dipping into the red for the first time this year as new contract lows on the board were hit yesterday after 2 months of range bound trading.

Cattle slaughter from Tuesday estimated at 110,000 head, down 4,000 from a week ago and compared to a year ago.

Hog slaughter from Tuesday estimated at 437,000 head, up 16,000 from a week ago and up 6,000 compared to a year ago.

Boxed beef cutout values lower on Choice and steady on Select on light to moderate demand and moderate offerings for a total of 147 loads sold.

Choice Cutout\_\_186.62 -.91

Select Cutout\_\_181.30 +.08

Feeder Index:\_\_134.42 -.82

Lean Index.\_\_63.95 -.12

Pork carcass cutout\_\_81.45 +.42

IA-S.MN direct avg\_\_57.55 -.35

National Average\_\_56.83 -.52

October live cattle gapped higher on Monday which we closed here yesterday. The 10-day moving average is at \$103.80 hopefully still providing some support. After that, we look towards last week's new contract low clear down at \$99.37. Staying above last week's high at \$104.40 will be key for the weekly chart and settling above \$106 could signal an end to this most recent sharp downtrend. September feeders are finding some heavy resistance in the \$135 area this past

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week with support down at \$130. October lean hogs punched through the contract lows from back in August. Looking at the weekly chart, a full retracement from last year's fall lows up to this past June's high is less than \$5 away. There is also a \$3 gap above \$63.85 when the October contract became the front month.

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Over in the grains, soybeans were the leader lower as the massive 4.2 BBU crop estimate along with no recent export sales activity pressures the market. Corn slid throughout the day erasing the past 4 day's gains even though production was lowered. It is still pegged as a record crop even though early yield reports so far are good just not record breaking. It did not help the commodities yesterday with the US\$ higher. US corn values are still the price leader but Black Sea origins and Argentine corn prices have closed the gap recently. One item that slipped through the news headlines cracks on Monday was China buying soybeans from Brazil. It was first thought to be 3-4 cargoes, but later reported that a total of 6 were purchased from Brazil and only 1 from the US for October shipment. There is also chatter that Argentina will continue to delay reducing their soybean export tax which may help push some acres into corn production.

Southern Hemisphere wheat production estimates continue to grow. Argentina's Ag Minister raised the forecast for 2016/17 wheat crop by 3.7 MMT to 15 MMT and Australia's Ag agency up 3.57 MMT to 28.08 MMT.

The FSA data dump came late Monday and although this is not a one-for-one scenario, the increases in acres for both corn and soybeans signed up got the bears talking about USDA will most likely increase acreage in their next crop report.

Overnight, grains stayed in fairly tight window, mostly steady to higher from some short covering. Soybeans and corn both finished steady while wheat was 2 lower.

US Trade Reps on Tuesday launched a challenge to China's price supports for domestic wheat, corn and rice at the World Trade Organization, charging that these far exceed limits that China committed to when it joined the WTO in 2001. The move opens a new front in the increasingly tense trade relations between the world's two largest economies, with disputes ranging from Chinese over capacity in steel and aluminum to Chinese anti-dumping duties on American broiler chickens and DDG. The U.S. Trade Representative's office said China's "market

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price support" for wheat, corn and rice was estimated to be nearly \$100 billion above the WTO limits and constitutes an artificial government incentive for Chinese farmers to increase output, lowering prices worldwide.

The big news so far today though is that Monsanto has accepted a takeover offer from Germany's Bayer at \$128/share. The move would be the biggest all-cash deal ever and will form the world's largest seed and pesticide company worth \$66B. Bayer's takeover of Monsanto could draw close scrutiny from anti-competition regulators because of the sheer size of the combined company and the control it would have. The new company would control 25% of the world's supply of seeds and pesticides. The Ag industry is also facing mergers between Canada Potash Corp and Agrium who supply fertilizer and potential mergers between DuPont and Dow for chemicals and pesticides.

Frost and a few light freezes occurred this morning in the upper U.S. Midwest, but the impact on crops should be rather limited. The heaviest rains overnight isolated here in NE KS and in NC TX. The 7 day precip map continues to show 3 to 4" stretching from the SW into the Plains and 1 to 2" for the rest of the Midwest. The 6-10 day runs from last night show above normal precip south and east with below normal north and west. Temps are normal to above normal for all.

December corn has strong resistance in the \$3.44 to \$3.46 area with strong support down at \$3.15. We have traded this range since mid-July. November soybeans are not too far away from testing August lows at \$9.37. A range from \$10.20 to \$9.37 has been in play over these past 2 months. All December wheat contracts are 10 to 20 cents above contract lows with the 10-day moving averages providing support the past few sessions for each.

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