Loewen and Associates, Inc.
Commodity Consulting/Brokerage
Pete Loewen, Matt Hines,
Doug Biswell, Matt Burgener
866 341 6700
www.loewenassociates.com

Date: October 4th, 2016

Lean hog futures settled a dime lower on the front month yesterday, but hugely positive on the back months from the February contract on out to the deep deferreds. For the first taste of trade following a very bearish Quarterly Hog and Pig report from Friday afternoon, I was really impressed with the higher action. There wasn't a single category from that report that came in at or below the pre-report estimates and quite a few of the numbers were actually at or even above the highest trade guesses. That's why I was so impressed with the hog market's ability to shake off that bearishness.

Live and feeder cattle futures were mildly higher on the front end and lower on all the back months. Only two contract months in live cattle futures closed over the $100 mark. All the rest now have a double digit handle below $100. Joplin and Oklahoma City auctions yesterday were instances sharply lower. OK City reported feeders down $4-$8 with heavy weights down as much as $12. Calves were $10-$15 lower. Joplin numbers were $10-$15 lower on feeders early, but firmed up late to end with some of the 650-750 lbers being only $5-$10 weaker. Runs at both sales were fairly close to unchanged from last year. Granted, neither of those sales were over when that data was out, but the official reports hadn't come out yet this morning. I doubt the numbers change much if any.

Regardless of the hog market action yesterday, fundamentals continue to look really sour across the board in the meats. Increasing cattle numbers from herd expansion, massive current hog numbers and poultry egg and broiler sets have been consistently expanding as well. It's not hard to figure out why that creates bearish trends, but at some point the lower markets should generate enough demand increase that we'll find a low point. Cheap prices cure cheap prices, either from encouraging more demand, or discouraging any more expansion. Those things need to happen and based on current pork and poultry numbers, the supply side isn't tightening yet, it's expanding.

Cattle slg.___ 114,000 +3k wa +9k ya
Choice Cutout__186.62 -.73
Select Cutout___176.97 -.88

Feeder Index:___132.31 -1.64
Lean Index.__55.96 -.84
Pork cutout___73.49 -.43
IA-S.MN direct avg__47.90 -.85
Hog slg.___440,000 -1k wa   +5k ya

****
In yesterday's grain and oilseed trade the beginning of a new month brought heavy buying in the fall crop markets that pushed corn just shy of 10 cent gains and soybeans just a hair short of 20 cent gains. The export and usage demand stories have been friendly lately, yet for the soybean market that has news reports of record yields in so many areas on a daily basis, it was interesting to see those gains. Because of that I'm going to chalk it up to the gains likely being more related to money movement at the beginning of a new calendar month perhaps more than anything else.

8 a.m. export reporting showed 100k mt's of US corn sold to unknown destination and no new bean sales.

Crop Progress and Condition numbers from yesterday showed corn 24% harvested, up 9 points from last week and 3 points behind normal. Corn condition ratings did finally drop 1 point to 73% g/ex. A year ago it was 68% g/ex.

Soybean harvested jumped 16 points in a week up to 26% complete. That's also 1 point shy of the average. Soybean condition ratings improved 1 point to 74% g/ex. Excellent gained the point, taking it away from fair. A year ago the soybean ratings were 64% g/ex.

FC Stone came out with their forecast for October corn and soybean production yesterday. Their corn number was 175.2 bu/ac with production at 15.163 bln. Bean production was 52.5 bu/ac and a 4.357 bln production total. I'm not going to vouch for the October USDA number, but by January I firmly believe the corn number will be lower and beans higher than those FC Stone guesses.

Pete Loewen
Loewen and Associates, Inc.
Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener
www.loewenassociates.com