



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Cattle complex futures were stormed with active selling on Monday and it hit without any real trigger from fresh bearish news. The front two months in live cattle were down the limit of \$3 at the close. Feeders came close to trading limit lower on a couple of contracts, which means \$4.00+. They didn't finish that nasty though, because closes were \$2.15-\$2.97 lower on the front four months and under \$2 on the deeper deferred contracts. Live cattle now have expanded limits today of \$4.50 and feeder limits remain the same at \$4.50.

One alarming factor that developed with a close under \$99 on the front month October live cattle was the positive basis it leaves hedgers faced with in the negotiated cash trade this week. Or perhaps I should term that "potential positive" basis. With \$102 live trade last week, anyone with hedged cattle on the showlist is possibly more likely to be willing to accept lower packer bids, because they are making up for some of the decline with the ability to add dollars to the transaction from the positive basis. Sometimes that creates the domino effect and causes even unhedged cattle to be sold lower. Not a good development for the cash arena.

In the feeder cattle and calf market trade, Joplin and OK City sales midsession reports yesterday afternoon showed calves and yearlings reported steady in Joplin and steady to a little weaker in Oklahoma City. Feeder cattle prices were mostly steady. The OK City run was light with just 4900 head versus 6100 last week and 7100 a year ago. Joplin numbers were stronger with 4000 head versus 3500 a week ago and 3000 last year. A wet late summer and early fall is likely keeping some cattle out on grass longer and away from these sales. Plus, the weak futures market is aiding in some of that retention as well. It's a wicked game of kick the can down the road. Everybody hopes the market will get better, but unfortunately it hasn't, which is adding insult to injury for those holding cattle hoping for better markets.

Cattle slg. ___ 115,000 +1kwa +4k ya

Choice Cutout ___ 184.00 +.93

Select Cutout ___ 174.86 +.35

Feeder Index: ___ 126.95 -2.87

Lean Index. ___ 52.99 -.73

Pork cutout ___ 73.07 -.33

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IA-S.MN direct avg__47.17 +.39
Hog slg.___385,000 -55k wa -13k ya

In the grain and oilseed trade, beans finished mildly lower, corn and wheat higher. Chicago wheat pushed up against 10 cent gains, but closed just shy of that mark. There's nothing remotely friendly about SRW wheat in the fundamentals, so I'm going to chalk the move up to money flow instead of actual bullish news.

8 a.m. export reporting showed 161,544 mt's of US corn sold to unknown destination.

6-10 day weather last night was calling for below normal temps in the far western US and above normal from Wyoming and Colorado all the way to the East Coast. Precip was below normal in the Southern Plains and along the East Coast. Above normal precip was in the offering all over the Corn Belt.

With a government holiday yesterday, crop progress and condition numbers as well as export inspections were not released and will come out today.

Tomorrow we get monthly Crop Production and Supply and Demand numbers out from USDA. Average yield guesses have corn at 173.4 bu/ac, which would be down 1 bushel from September. The bean yield average guess was 51.4 bu/ac, up .8 from September. Production guesses are 15.040 bln bushels of corn and 4.277 bln beans. The wildcard in the report is whether USDA changes planted or harvested acres. Average trade estimates are looking for a 200,000 acre increase in corn and 100,000 beans. Bigger increases than those levels could certainly lead to a bearish surprise. Ending stocks guesses show corn at 2.362 bln, down 22 mln from last month. Soybeans at 415 mln, up 50 mln from last month. Wheat is pegged at 1.151 bln, up 51 mln from a month ago.

Our guesses, which aren't based on what this month's report will say, but rather what the January final numbers will show for totals is quite a bit different than the above yield guesses. We think the national corn yield will be closer to 170 and beans somewhere north of 53 bu/ac. Of course, final acreage will dictate what kind of production and ending stocks those yields produce.

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