



## **Loewen and Associates**

**Commodity Consulting/Brokerage**

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### **Morning Ag Markets**

#### **Matt Hines**

Despite the higher closes on Friday, cattle futures experience an ugly week with new contract lows and live cattle futures breaking the uptrend extending back to 2001. Cash feedlot trade ranged from \$94 to \$99 live and \$153 to \$155 on a dressed basis, lower prices in the North with KS avg \$98 to \$99. This is another \$4 to \$6 lower than the week previous.

#### **NATIONAL FEEDER & STOCKER CATTLE SUMMARY – W/E 10/14/2016**

RECEIPTS:	Auctions	Direct	Video/Internet	Total
This Week	236,100	62,500	18,900	317,500
Last Week	178,000	46,600	2,800	227,400
Last Year	246,300	40,900	19,000	306,200

Compared to last week, steer and heifer calves sold mostly 5.00 to 10.00 lower and yearlings steady to 5.00 lower. Many calves this time of year are showing up short weaned or off their mamas that same day. Discounts of \$20.00/cwt or more on those unweaned calves are very common as they are much more apt to end up in a sick pen. Demand has been considerably better for the true yearlings that are still making their way to town, with many of those that were long time weaned and in the right condition quoted as steady to firm and even dollars higher in spots; in Unionville, MO, a load of reputation steers weighing 772 lbs rang the bell at 140.00 on Tuesday.

Nobody seems to know where the bottom of this market will be, or just what it will take to get there. When pressed, few in the industry would have faith that this rally will hold after countless ‘false alarms’ that we’d hit the bottom. Many have expressed some surprise that the fall cattle runs haven’t really shown up yet, with many livestock auctions still running a more summer like schedule and others still seeing pretty light receipts. Producers are reluctant to bring cattle to town on such a down market and with enough grass and hay there won’t be much movement until

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prices rise or a banker knocking at the door. Choice Boxed beef cutout value Wednesday reached the yearly low at 181.50. Despite the lighter weekly harvest totals this year, beef production has reached levels comparable to 2013, when weekly harvest totals averaged over 480,000. This increase in beef production is due to the well-known fact that carcass weights have become bigger. Year to date fed cattle weights for 2016 are 29 pounds heavier than 2013. So the questions that remains to be answered, are these increases in carcass weights being caused by feed yards feeding cattle longer to collect more yardage, thus resulting in better yields when sold on a grid or are we seeing the effects of better genetics and performance? Hurricane Matthew has brought the East Coast to a halt. The protein sector hit the hardest was the pork complex, with three major plants losing multiple days.

For the week, Friday October 7<sup>th</sup> to Friday October 14<sup>th</sup>, October Live Cattle - \$5.97, December -\$5.60, October Feeder Cattle -\$7.25, November -\$7.12, October Lean Hogs +\$1.92, December -\$0.37.

Cattle slaughter from Friday estimated at 109,000 head, up 3,000 from a week ago and up 2,000 compared to a year ago. For the week, 601,000 head, down 4,000 compared to the week previous but up 30,000 compared to a year ago. Beef production at 502.8 million pounds last week vs. 505.1 the week previous and 487.3 million last year

Hog slaughter from Friday estimated at 407,000 head, down 28,000 from the week previous and up 22,000 compared to a year ago. For the week, 2,304,000 head, down 118,000 compared to the week previous but up 15,000 compared to year ago.

Boxed beef cutout values steady to weak on light to moderate demand and offerings for a total of only 94 loads sold.

Choice Cutout\_\_181.86 +.26

Select Cutout\_\_172.04 -.57

Feeder Index:\_\_123.49 -1.90

Lean Index.\_\_52.54 -.22

Pork carcass cutout\_\_73.38 +.86

IA-S.MN direct avg\_\_47.27 -.08

National Average\_\_46.15 +.17

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October live cattle scored a new contract low at \$94.50. Support levels now in the \$89 to \$90 area which were the summer lows of 2010. Feeders also down into price levels not seen since 2010 with the November contract trying to hold \$115 support. Below that we not find much more support until the \$105 area.

December lean hogs chopped sideways last week with the contract low at \$41.10 back on October 5<sup>th</sup>.

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Corn and wheat were the price leaders last week with soybeans seeing small gains while spreads continue to widen out. The soybean crop is massive with reports of up 40 bu double crop in KS and the 70+ yields throughout the Midwest. Export sales were delayed until Friday last week coming in at expectations. Wheat sales of 18 MBU included 12.6 MBU hard red, 4.4 MBU spring, 800,000 BU white and 120,000 BU soft red. Total sales to date are at 548 MBU vs. 417 last year. Corn sales were 34.4 MBU with 1.2 MBU for the 2017/18 crop year. Total sales are now 846 TMT vs. 434 last year. Mexico, Colombia and Taiwan were the primary buyers. Sorghum sales were 2.3 MBU taking total to 42 MBU vs. 137 MBU last year. Soybean sales were 52 MBU taking total year to date to 1.092 BBU vs. 802 MBU last year. China purchases to date are 493 MBU vs. 336 last year.

For the week, Friday October 7<sup>th</sup> to Friday October 14<sup>th</sup>, December Corn +\$.14 ½, March +\$.14 ¼, November Soybeans +\$.05 ¾, January +\$.07 ¼, December KC Wheat +\$.14 ¾, March +\$.15 ¼, December Chicago Wheat +\$.26 ¼, March +\$.24 ½.

Overnight, grains continue higher with soybeans catching up now to last week's corn and wheat moves. Beans finished 8 to 10 higher, corn 1 to 2 higher and wheat 3 higher.

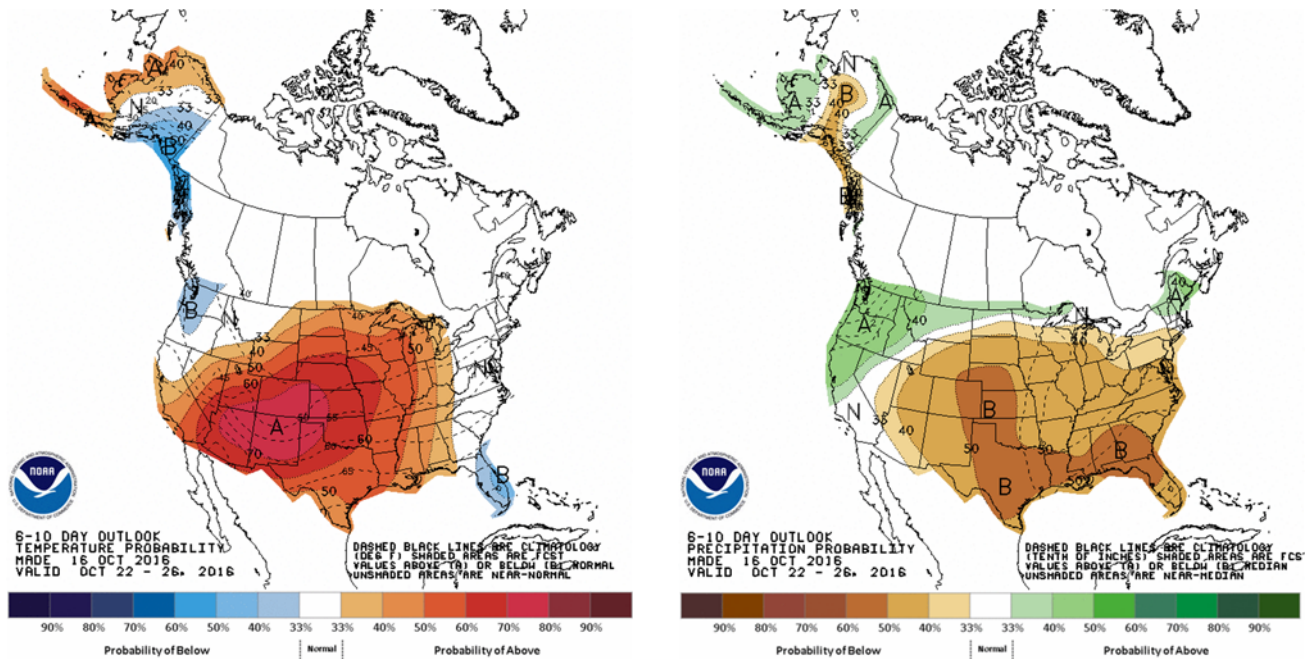
Crop progress after the close today expecting to show corn harvest up to 50% complete. Soybean harvest expected to be 60% to 65% complete.

December corn finally able to break out last week topping at \$3.58 ¾ and just shy of the 100-day moving average. Strong support in the \$3.45 to \$3.50 area now and the next target is \$3.64. November soybeans still range bound recently from \$9.50 to \$9.75. It's wider trading range over the past 2 months from \$9.34 to \$9.94. MPLS wheat still trending higher while both KC and Chicago broke out higher to end last week.

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Record warm temps with continue over the Plains to start this week then spreading East. Rain chances are isolated to the Ohio River Valley, Great Lakes and then New England later in the week. The 6-10 day runs from last night continue to show above normal temps and below normal precipitation across most of the US.



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