



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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The entire meat complex settled with green across the screen yesterday. Hogs were aggressively higher on the front end and only mildly higher on the back months. Live and feeder cattle futures successfully avoided pressure from Friday's bearish COF report. They opened close to steady, sold off some and then blew up higher, posting limit up closes on August live cattle and the August, Sept and October feeder cattle contracts. That means expanded limits in today's session.

For a brief recap of those report numbers, COF June 1 came in ½ point bigger than the expectations at 103% of a year ago. Placements in May were 12% larger versus expectations of a 10.5% increase. Marketings were up 9% versus 2016, which was right at the expectations, yet one more business day last month trims that number almost in half in the daily totals. Placement weight breakdowns showed the biggest percentage increases coming in the lighter weight categories from under 600 lbs up to 800. Out dates on those lighter weights will be highly variable, but it's going to add to the fall and early winter marketings. I'd say that justifies the \$6 discount being carried in the deferreds.

It was great to see cattle futures shake off that report bearishness. After an \$11-\$12 slide in live cattle futures since earlier this month when new contract highs were made, bearishness was already very much baked into the expectations ahead of the report. Yesterday's rally brought futures back up over the support levels that were violated last week. I'm still going to say for the time being though that the charts look very topy still.

Cattle slg. ___ 117,000 +3k wa +6k ya
Choice Cutout ___ 238.57 -1.18
Select Cutout ___ 217.66 +.94
Feeder Index: ___ 145.84 -1.25
Lean Index. ___ 90.62 +.45
Pork cutout ___ 101.35 +.20
IA-S.MN direct avg ___ 86.50 +.12
Hog slg. ___ 435,000 +11k wa +9k ya

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Grain and oilseed trade finished solidly weaker in the KC and Chicago wheat markets, but mildly higher in the fall crop markets of corn and soybeans.

Interesting trade in the wheat considering Minneapolis HRS wheat futures closed 1-2 higher and the new crop September contract was 20 cents away from a “7” handle on price and up over 10 cents at one point during the session. Kansas City HRW wheat closed double digits lower, bringing the spread between September futures in those two markets out to a whopping \$1.97 ¼ cents per bushel that spring wheat is premium to HRW wheat now. Those markets are all about protein at the moment. I think we’re going to have a bigger than expected HRW wheat crop, but really poor protein levels, likely even worse overall than last year. Spring wheat areas are currently in bad drought status and the flight to quality (meaning protein) in the trade is buying Minneapolis futures.

Export inspections that came out midmorning were friendly across the board. Corn came in at 38 mln bushels, soybeans 11.6 mln bushels and wheat 23.1 mln. Inspections a week ago were 18.9 mln for wheat, export sales last Thursday were 19.9 and yesterday’s 23.1 inspection number are definitely close enough to that 20 mln total that the wheat export picture is starting to finally look decent now. Unfortunately, price direction in Chicago and KC aren’t reflecting that very well.

Crop progress and condition data showed 67% of the US corn crop in g/ex condition, which is unchanged from last week and 8 points below last year. Soybean g/ex ratings dropped 1 point from last week to 66%. Compared to last year, it’s down 6% in that g/ex category. Winter wheat condition ratings were unchanged at 49% g/ex, but excellent took 1 point away from good, resulting in a small gain in conditions. Spring wheat condition ratings were 40% g/ex, down from 41% last week. Ironically, excellent gained a point, good lost two and very poor gained 1. 62% of South Dakota’s spring wheat crop is p/vp, versus last week’s 64%. North Dakota was 27% p/vp, 3 points worse than last week. Montana sits at 36% p/vp and only 22% g/ex, but that’s an improvement from last week by a little bit.

The spring wheat crop is in deep trouble still, which is why Minneapolis wheat futures pushed out to more than \$2.00/bu higher than KC in last night’s action. At some point I would hope KC can catch a little more spillover support out of that spring wheat market. It might be at the expense of basis, but there’s a long story to unfold in spring wheat yet. How much was planted? What’s the yield potential given the drought? Plus, how many acres have been hayed for livestock because of that dryness?? Not only is planted acres a point of contention, but planted versus harvested will be a big question mark as well.

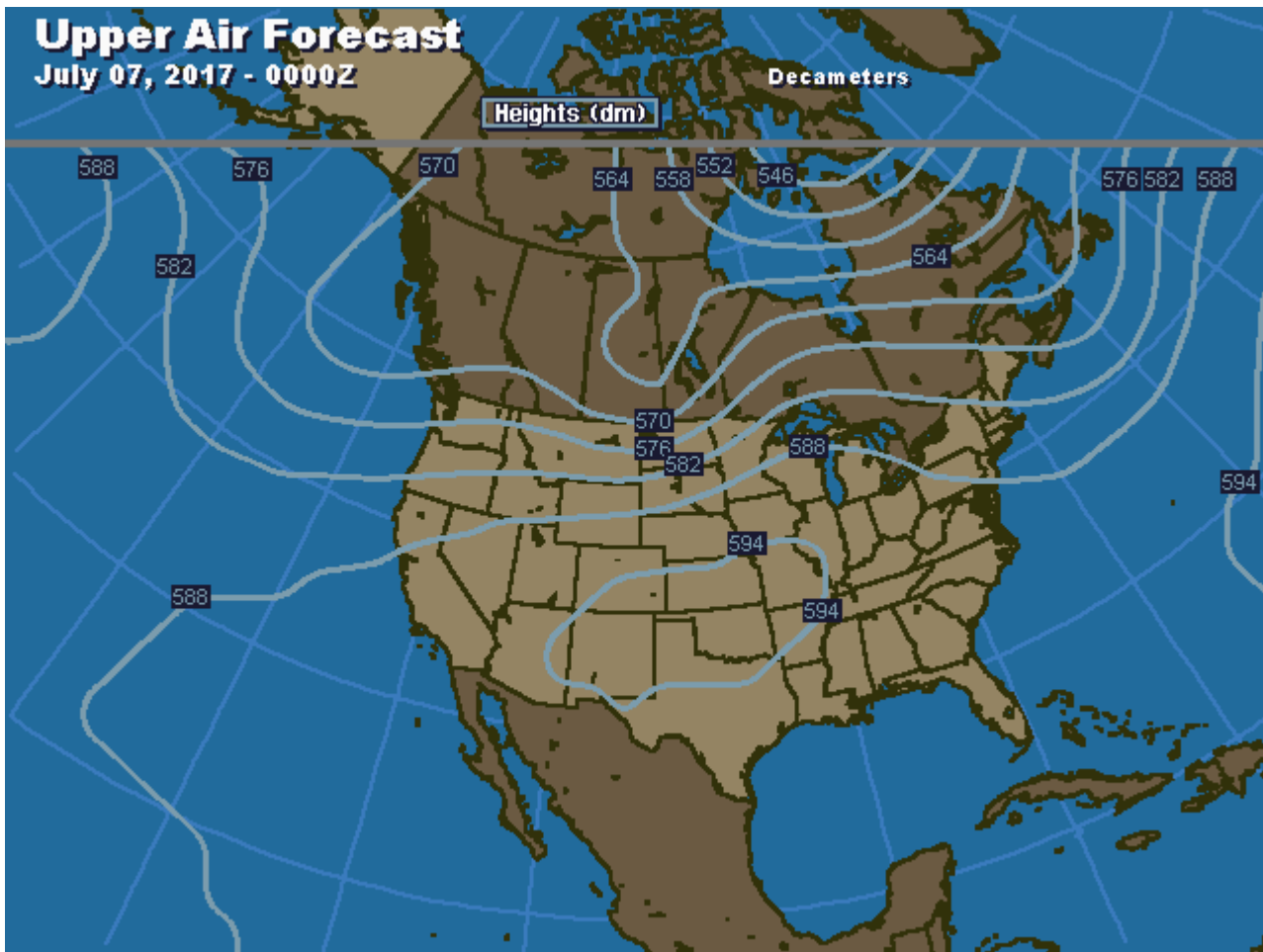
Coming up on Friday is the June final planted acreage report. Average guesses on corn acres are 89.903 mln acres, which would be down 93,000 from the March intentions and 4.1 mln

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acres fewer than what was planted last year. Soybean acreage guesses averaged 89.75 mln, which would be up 268,000 acres from March intentions and 6.3 mln larger than what was planted a year ago. Spring wheat acres are expected 102,000 less than the March number at 11.2 mln. That's 399,000 less than last year. Durum is pegged at 2.002 mln, down 2000 from March and 410,000 below last year.

Day 10 in the upper air forecast map below. "Dome of Doom" (important note- any forecast out past 7 days has very little degree of accuracy and exponentially less the farther you get past 7 days)



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