



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Meat complex futures closed flat in the live cattle and lean hog contracts, but actively higher on the front four months in feeders. Corn was down in the double digits again, making it a little surprising to me that feeders didn't find more room to the upside.

Wednesday's closes were limit up in both the live and feeder markets coming off of \$2 gains in the negotiated cash feedlot trade with prices up to \$120 from north to south. Eastern Nebraska dressed trade was \$190 yesterday. At yesterday's close, that left a \$2.57 positive basis between front month August fats and that \$120 cash. The previous day was just over \$2. That's a huge shift in basis from what we've seen over close to the last year. Sometimes basis has been positive to the tune of \$10+. Great testament to a broken market despite the fact that basis was tremendously beneficial to hedged cattle feeders. \$2 is very much in line with historical normal levels in the month of July cash versus August board prices.

There has also been a shift back to a much more normal, historical premium of October live cattle to the August board. August was as much as \$6 premium to October in early May. It closed at \$.40 under yesterday. Without running the data, I'm guessing a long term average of that price relationship would be October trading premium to August by around \$2.00. It's good to see the market moving back towards more normal price relationships. That also falls in line with what I've been talking about over the last week or two with August/Oct/Dec/Jan and April futures trading within \$2 of one another than those futures contracts may have finally found a level of fair market value.

Two other notes for the cattle; yesterday's choice cutout close was \$42.67 lower than the high posted in mid-June and choice has been quoted lower every day since June 16th. Secondly, all cattle carcass weights from the last report increase 1 lb from the week prior and were 9 lbs smaller than the same week a year ago. Weights will continue to gain on year prior levels with the discount gone in deferred futures.

Cattle slg. ___ 118,000 -2k wa +11k ya

Choice Cutout__209.85 -2.84

Select Cutout___197.26 -1.47

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Feeder Index:___150.74 +2.02
Lean Index.___92.84 +.09
Pork cutout___103.67 -2.15
IA-S.MN direct avg___87.79 +.28
Hog slg.___ 440,000 +2k wa +8k ya

Grain and oilseed trade looked terrible yesterday with beans down 45+ cents, corn 15 lower and wheat 25-30+ lower between the KC, Chicago and Minneapolis markets. Some moderation in forecasts, rains over key areas of the Corn Belt and negative hangover from Wednesday's report were all culprits.

Export sales numbers weren't terrible, but they weren't great either. I'd call them neutral to bearish. Corn sales came in at 6.3 mln bushels, beans 8.4 mln and wheat 13.1 mln. Like I mentioned yesterday, wheat is the one I was actually impressed with at 13.1 and normally I'd be saying it takes 20 mln to get me excited. With the massive rally we had seen in US wheat prices, the US had very rapidly become a non-competitor in world wheat export pricing. I really thought we'd see low single digits in sales, so 13.1 was considered a victory in my book. No impact on futures obviously though, because wheat got hammered right alongside the corn and beans.

The annual Chinese trade delegation visit to the US happened this week. That's an annual event that's more of a news press generator than legitimate business visit. They committed to 12.53 mmt's of US bean purchases, something they do nearly every year. Yes, it's a great deal to see, but also something that is fully expected by the trade every year as well.

6-10's didn't change much last night. Above normal temps from the Panhandle region through the Northern Plains and all through the Corn Belt, Delta and Southeast. Precip was below normal in a small circle from central Kansas through most of Oklahoma down to the Red River. Colorado, Nebraska, the Dakotas and central/northern Corn Belt were above normal. South of that line in the Corn Belt was normal on precip. The Southeast US was below normal. Temps are friendly, but the precip is bearish in that weather outlook.

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