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

Date: August 22, 2017

Morning Ag Markets

Pete Loewen

Cattle complex futures had a sour start to the week. Prices traded on both sides of unchanged during the day, but closed with the vast majority of the futures contract months in the red. Hogs suffered the same fate, although the front four contract months were down in the triple digits, much weaker than the cattle closes.

The technical picture in the cattle complex looks very weak right now and the fundamental picture isn't any better. Choice cutouts were down in the triple digits yesterday, sinking into the low $190 range. In mid June that quote was in the $250's, so this is a giant drop for the product market. Negotiated cash doesn't look much better either given the fact it dropped $3/cwt from the first week of August to the second and another $5 lower last week.

This trend has been a snowball effect to the downside, which has put things in extremely oversold conditions. The problem is, nobody really knows if that snowball is only half way down the mountain, or if it's close to the bottom yet??? Given the placement pattern into feedlots over the last four months has been in double digits, we're just now at the leading edge of bigger supplies relative to last year. If that is any indication, the snowball might only be partially down the hill so far… One near term potential bright spot could be Labor Day beef demand. If that doesn't pan out as expected with good movement of beef, rally potential is once again very limited.

Cattle slg.___ 118,000 +2k wa +6k ya
Choice Cutout__193.09 -1.20
Select Cutout___191.62 -.88
Feeder Index:___143.40 -2.40
****

Grain and oilseed trade sunk to solid red ink at the close, although losses were mild everywhere except in the Minneapolis wheat that showed double digits lower. Export inspections were neutral to bullish across the board. Corn shipments were 27.2 mln bushels, soybeans totaled 24.4 mln bushels and wheat was 21.4 mln bushels. There were two flash sales of new crop beans totaling 198k mt's and 463k mt's announced before the open, but those, along with friendly inspections numbers midmorning obviously had no bearing on futures market direction.

Crop Progress and Condition data released yesterday afternoon showed corn g/ex ratings unchanged at 62% g/ex. Excellent gained a point, taking it away from good, so net/net that's an improvement in overall ratings I guess. There was some big changes in individual state data though, which provided interesting reading. Illinois conditions declined 8 points in g/ex, down to 54%, while South Dakota improved 8 points in g/ex, up to 42%. In the big 4 corn producing states, Minnesota is the best at 82% g/ex, followed by Nebraska at 63% g/ex, Iowa 61% and Illinois 54%. The big picture number, US corn is 62% g/ex versus 75% g/ex at the same time last year.

Soybean crop ratings improved 1 point this week to 60% g/ex. Last year they were 72% g/ex at the same time. Similar to the corn jump in South Dakota, their beans improved 8 points to 42% g/ex. There were no major losers in soybean condition. Illinois, Indiana and Missouri were all 3 points lower than a week ago. Iowa gained 2 points and Kansas was up 3.

Spring wheat is now 56% harvested and condition ratings improved 1 point this week, moving up to 34% g/ex. P/vp remained unchanged at 42% of the crop. By comparison, last year we were 66% g/ex and 9% p/vp, so the p/vp percentage is 33 points greater and g/ex is 32 point less. Definitely not the same crop we had last year!

6-10's last night showed a sizable change to normal temps in the Northern Plains and far northern Corn Belt. Central and Southern Plains, as well as the rest of the Corn Belt, Delta and out to the East Coast was below normal on temps. Precip was below normal in the Dakota's, western Minnesota and the northern ½ of Nebraska and normal to above everywhere else in the Plains and Corn Belt.

Pete Loewen

Loewen and Associates, Inc.

Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

www.loewenassociates.com