



## ***Loewen and Associates***

***Commodity Brokerage/Consulting***

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### **Morning Ag Markets**

The cattle complex was fairly active Wednesday, with mid-week cash trade once again dominating the news. The business got underway fairly early in the day in the South, with Texas trading mostly \$1.50 higher than last week at \$94 while the bulk of the Kansas trade was called \$93, up \$2 on the week. The Nebraska trade was also active with the live sales \$1 higher at \$93 to \$94 and the dressed business \$3 higher at mostly \$150. The aggressiveness of packers in coming after cattle at higher money provided a shot in the arm to the futures market, as the front months jumped to triple digits on the cash news. That spot August contract was trading well below this week's cash levels and the buyers stepped in to try and close some of that gap yesterday when the cash reports started coming in. It was a bit interesting to see the higher cash at this point in the week, especially with most, including myself, expecting steady to maybe even lower trade. There hasn't been anything in the product trade that should have encouraged higher cash, although packer margins remain decent and they have been fairly aggressive lately. I would imagine with cutouts still drifting lower and now a notable jump in what they are paying for cattle, those margins will tighten up a bit.

Feeder cattle futures got left behind Wednesday, unable to tag along with the live side on the rally. I suppose some of that could be chalked up to the higher corn trade Wednesday as there may be some nervousness, but I would've thought we could've at least held some modest gains. The cash feeder trade has slowed a bit this week as well, which could have cut down on some of the enthusiasm.

Cattle slaughter Wednesday	131,000	+1k week ago	+10k year ago		
Choice Cutouts:	153.98	-.48	Select Cutouts: 145.09	-.58	
CME Feeder Index:	113.41	-.05	Lean Hog Index	78.65	-.40
Pork carcass cutout value	81.15	-.97			
Hog slaughter Wednesday	404,000	-7k week ago	+2k year ago		

Calls this morning in the cattle complex are going to be stronger as the overnight electronic trade leaned that way, led by feeders as they perhaps try to play catch up after not participating in yesterday's rally. The live market should find some spillover support from Wednesday's gains as well as the higher cash business, leading us to the higher calls this morning. With most of the cash trade likely wrapped up for the week, big cattle market-specific news will once again be light, but calls are still higher to start. For the open, I will call live cattle 15 to 30 higher and feeders maybe 20 to 40 cents better.

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Moving over to the grain markets, forecasts were still getting most of the attention and the heat looks to stay mostly in the Plains while the Corn Belt was slated to see more rains as well as some periodic warmer temperatures. Overall the forecasts weren't deemed overly threatening, but the buyers were there nonetheless. Corn futures led the gains but still couldn't get to that \$4 mark on the December contract, while beans held just some modest gains and Kansas City wheat was well off the highs by the close as well.

Overnight electronic trade last night was higher with corn 3 to 3 ¾ higher, beans 7 to 12 higher, and Kansas City wheat 13 ½ to 14 ¼ higher.

Well the exciting times seem to be back for the grain markets as we saw more big gains Wednesday, even when the weather forecasts appeared to be a little less threatening. The gains kept coming

overnight, with new crop December corn clearing the \$4 mark for the first time since March. Most of the strength appears to be tied to a warmer and drier outlook more than a week from now, as short term forecasts are still calling for a decent mix of heat and rain for much of the Midwest. I suppose it is the fear that the heat sets in as it is showing on the 6-10 and 8-14 day maps that has the buyers excited. This time of year it doesn't take much to get the weather traders going and that was apparently the case overnight, with a little bit of outside market help thrown in as well. Now, the weather argument doesn't hold any weight with the wheat trade, as that market continues to amaze/astonish/ baffle- whatever you want to call it. The bottom line is it has created some excellent opportunities for the producer and hopefully you continue to take advantage of it. I know I said that 50 cents ago and I will continue to say it probably just about every day as long as the market keeps getting pushed higher by every last short heading for the exit.

In other news this morning, weekly export data was pretty solid for corn and beans, while the wheat sales lagged a bit. Corn sales were 26.7 million bushels old crop and 13.6 million new, taking the total just over the top end of the guesses from 31 to 39 million. China was in for a bit of old and new crop corn both, which was expected. Bean sales were solid after another week of strong Chinese buying, with old crops sales at 24.5 million and new crop 20.5 million, with the total beating the range of estimates from 28 to 37 million. The numbers should help keep corn and beans supported this morning, but they weren't too far off expectations.

Well there really isn't much else to talk about this morning, as we are into a full blown July weather market and that alone is enough to keep the best trader guessing. Obviously things aren't perfect in the Midwest when it comes to crop conditions, but it isn't like we are burning up everywhere or underwater everywhere. There is still some solid production potential out there with most still talking a 160+ yield. We can try to outguess weather forecasts all day long, but it is impossible. Even more difficult is trying to outguess how the trade will react to those forecasts. In the end, the market is giving you another chance at \$4 new crop corn and beans aren't looking to shabby either. If you passed it up early last spring and you have a decent crop coming on, don't get caught up trying to play these weather markets, pick a price that makes your bottom line look good and figure out the best way to protect that.

Wheat is still its own animal, and no, I still don't have a good explanation. The Russian drought has received a lot of press this week and the end result may well be more exports for the U.S., but with over a billion bushels in ending stocks, we can afford to send some of it elsewhere. With next year's wheat pushing \$6.50 on the board, if you haven't started running numbers and thinking about some sales, it is probably time you started.

Calls this morning are going to be higher, in line with the overnights with the outside markets helping some as well, mainly the weakness in the dollar. Dec corn is right at that \$4 mark and it will be watched closely-if we can hold over that mark we may be able to build on it, but the market stalled there overnight. The new forecasts at midday will likely hold the key to where we end up today, but we at least look like we're going to start higher.

In late news this morning, the USDA announced some large corn and bean purchases to China as well as unknown destinations, assumed to be China as well. That will likely excite the market even a little more at the open.

For the open, I will call corn futures 3 to 6 higher, beans 9 to 13 higher, and KC wheat 10 to 14 higher.

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