



## **Loewen and Associates**

**Commodity Brokerage/Consulting**

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## **Morning Ag Markets**

**Pete Loewen**

Cattle trade had an interesting twist on Thursday with feeders up mildly, but the fats lower. Feedlot trade turned active with \$95 the top end of the trade and that ironically happened before futures started to move lower on the day. Not a lot of rhyme or reasoning behind that action. In fact, with cash up \$1.00 to \$2.00 higher than last week, it would have made a lot more sense for the live market to be quite a bit higher, especially with the spot August futures nearly \$2.00 discount to those quotes at the feedlot gate. That didn't happen though, so it left a few (including me) scratching our heads.

Both the midyear Cattle Inventory report and a monthly On Feed report will be released this afternoon. Average guesses for the Inventory numbers are citing total cattle numbers at 1% below last year, beef cow numbers 1 1/2% lower and beef replacements 2% lower. There is no denying the bullishness of those numbers. What's going to temper that bullishness is the 20% higher placement forecast for feedlot in-movement during the month of June that the Cattle On Feed report is projecting. Marketings are expected to be around 1 1/2% higher and On Feed totals 3 1/2% larger. Those numbers should be bearish to fall and winter live cattle futures. However, last months On Feed report cited huge placements during May as well and cattle have done nothing but shoot higher since...

Cattle slg. \_\_\_130,000 +1k wa +9k ya

Choice Cutout\_\_155.28 -.24

Select Cutout\_\_\_146.75 +.25

Feeder Index:\_\_\_112.08 +.24

Lean Index.\_\_\_ 77.79 -.06

Pork cutout\_\_85.51 +1.48

IA-S.MN direct avg\_\_81.14 +6.41

Hog slg.\_\_\_\_ 399,000 -3k wa -17k ya

Calls this morning are mixed in cattle and 20-60 higher in the hog trade.

In the grains and in the outside markets as well, there was some wild movement yesterday and the wheat market ranks right up there at the top of the list. Those outside markets had the DOW and crude oil up sharply, but the dollar tanking. Wheat opened near the 20 higher

mark, but that also marked the highs of the day and prices faded all the way into the closing bell. Once again, very little fundamental reasoning behind the rally, but those that are grasping for straws continue to point out eastern Europe and Russian weather as a major culprit. US wheat is still grossly overpriced in the world market though, yet our futures markets are leading the charge higher.

Overnight E-CBT trade was\_\_ mixed with KC Wheat finishing +1/4 to +1 3/4, Chicago -1 1/2 to -2 3/4, corn +1/4 to +2 3/4 and soybeans +1 1/2 to -2 1/2.

This rally that the wheat market has been confronted with since early June is nothing short of amazing. We have a domestic stocks to use ratio for new crop wheat of over 49%. World stocks to use numbers are 29%, which is large, but nothing nearly as ominous as the US number. The domestic wheat supply is more than double what it was just a few short years ago. Now, when we look at the fact new crop wheat futures are well over the \$6.50 mark and appear headed towards the \$7.00 range, there is yet another bearish dilemma developing. That dilemma is that we're going to see a significant increase in winter wheat seedings this fall because of all the potential revenue housed in \$6.50+ wheat futures! What the market needed for the long term picture was for prices to move low enough to discourage plantings so we could trim this burdensome domestic supply problem we currently face. Instead, we're only going to add to the pile with another large crop next year... Trust me, this is all going to come back and bite the market in the rear at some point in time. The question is when?

Weather-wise, we're looking at another forecast of above normal temps and normal to above precip in the 6-10's. That forecast hasn't changed in weeks. Although the temps are going to remain hot, rain makes grain, so that side of the forecast is still negative.

The grains are a technical and fund driven market right now, with both trends pointing towards higher prices yet. The overnight trade was kind of quiet and the outsides are quiet this morning as well. I'm looking for just a mixed open, but maybe a higher bias developing throughout the day.

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