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## **Morning Ag Markets**

### **Pete Loewen**

Friday was widely anticipated to be a shoe-in day for limit down trade in everything considering the DOW and S&P's had hit stoppers in the Thursday night session, but limits were nowhere to be found in the grains and the livestock sector had some broad ranges as well. The fundamental factors for the cattle and hogs found Iowa-S. Minnesota carcass hog quotes down \$1.19 for the week, pork cutouts up \$.95, cash cattle trade \$1.00 higher at \$91 on the top end and choice cutout quotes down \$2.97. That's certainly a mixed bag of movement considering the weekly closes had October Live Cattle down another \$3.20 and October Feeders were down \$2.25. October hogs however, were up \$2.20 and with the kill down considerably from the previous week there was legitimate reason to believe that market might be searching for a reason to bottom.

Cattle market bulls are facing their greatest chance at redemption over the next 20-30 days when supplies relative to the previous year will be at their weakest point in months. That factor alone helped the cash market claw its way back to a small gain last week. Beef packers walked in to the month paying \$97 and whittled that down to \$90 in just two weeks before paying \$91 on Wednesday. The dressed trade in Nebraska had dropped \$11 from \$148 to \$137 and managed a little \$138 at the top end as well. Even though it seems like just a small gain last week, considering the previous couple had such steep losses it was a welcome recovery in such a nasty looking bearish market.

Cattle slg.\_\_\_ wtd 647,000 +15k wa -25k ya

Choice Cutout\_141.52 -1.78

Select Cutout\_\_135.04 -.78

Feeder Index:\_\_\_97.61 -.32

Lean Index.\_\_\_ 61.50 -.60

Pork cutout\_\_65.97 -.42

IA-S.MN direct avg\_\_58.94 +.02

Hog slg.\_\_\_ wtd 2.296 mln -62k wa -18k ya

Opening calls this morning are mixed to 50 lower in both the cattle and the hogs. Cash hog trade will probably start off the week with a lower undertone unless pork packers find it too difficult to procure enough numbers at lower money. Beef packers will be very reluctant to

show signs of paying higher money though, given the fact there continues to be no stability showing in the beef product market.

Beef product demand is a LOT more sensitive to the economy woes than pork is, although both markets have been hammered in the last month. It's highly possible that reduced availability of market ready cattle could lead to just stable or slightly increasing cash over the next couple of weeks as opposed to the sharp increases that some are banking on happening. If the DOW keeps dropping like a rock and the US dollar keeps gaining as fast as it has, it really doesn't matter what that available beef supplies are declining because demand might be decreasing at a faster rate to offset it. I don't think the beef market can successfully divorce itself from the rest of the economic influences. What it really needs is a stout recovery in the financial sector, coupled with a pullback in the dollar index to wage a legitimate upward recovery.

In the grains, 17 lower corn and 20 lower beans was a whole lot better than 30 and 70 lower, which was widely anticipated at Friday's opening. Instead, both markets actually tried their hand at higher money through the day, but lost a lot of steam heading right into the closing bell.

Weekly closes had Dec Corn down 30 ¼ cents, December Chicago wheat down 50 cents, Nov Beans down 30 ¼, Dec KC Wheat down 50 ½ cents and July down 51 ¾.

Overnight E-CBT trade was\_\_ mixed in a few wheat contracts, but lower in corn and beans. KC Wheat finished +6 ¼ to -11 ½, Chicago was -10 ¼ to -12 ½, corn was -4 ¾ to -7 and soybeans were -3/4 to -10.

The bearish influences on the fundamental front in the grains aren't showing any signs of slowing down this week. The dollar index is stronger which is a negative to the export trade. The outside market influences aren't showing any signs of strength either. Crude was down sharply overnight and the DOW was lower. Weather factors are also looking negative with a lot clearer weather in the offering.

The farmer has NOT been an active seller with futures being lower week in and week out. That has provided some dynamic moves in basis in a few select areas with processors, commercials elevators and terminals all needing ownership badly and harvest delays from weather have only highlighted that dilemma. As a farmer, you have to remember that you ARE a basis trader- a cash trader. It's no different owning a commodity on paper with futures or options, than it is with physical bushels. Take advantage of those basis opportunities if they exist, because if and when harvest accelerates or futures start to go up, those basis plays will quickly evaporate.

I'm calling wheat 5-10 lower this morning, beans unevenly mixed to 5 lower and corn mixed to 5 lower.

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