



Loewen and Associates
Commodity Brokerage/Consulting
Pete Loewen, Tim Strunk, Matt Hines
866 341 6700
www.loewenassociates.com

Date: 10.23.08

Morning Ag Markets

The cattle complex moved lower on Wednesday, in step with most other commodity markets as we saw more of the same bearish outside market influences in control. The U.S. dollar rallied sharply into new highs while the stock market tumbled again, putting pressure on commodities from cattle to crude oil. If we step back a bit and look at some of the fundamentals, it is not quite as easy to paint such a bearish picture. Everyone knows about the tightening numbers, as it has been talked about for months. What hasn't been talked about as much by some analysts is the fact that domestic demand is hurting, and hurting bad. Choice cutouts have not been able to do anything as the economic woes are clearly hurting the middle meat demand that is the driver of choice cutouts. Without improvement there, it is going to be difficult to get much going on the cash side of things, no matter how bullish of a picture someone tries to paint using the tighter numbers excuse as a brush.

On a brighter note, we did see some cash trade develop yesterday at better money in some locations, with the activity starting in Texas at \$91, a dollar better than the bulk of last week's business. The trade eventually got going in the North as well, with dressed sales in Nebraska called steady to as much as \$3 higher. The slight rebound in futures over the past week or so allowed for the small jump in cash, as the expiring October live contract is about \$2 over where it was a week ago. That compares to choice cutouts that are nearly \$5 lower than where they were a week ago. Hard to make the correlation, but we'll take higher cash trade any way we can get it.

Cattle slaughter Wednesday	127,000	+11k wa	-6k ya		
Choice Cutouts	144.38	-.66	Select Cutout__ 137.56	-.63	
CME Feeder Index:___	97.51	+.12	Lean Hog Index	62.99	-.63
Pork carcass cutout value	65.94	+.59			
Hog slaughter Wednesday	432,000	+2k wa	+10k ya		

Calls this morning in the cattle complex are no better than mixed, as I can't find a major reason we need to open higher. We saw more declines in the stock market after yesterday's close in the meats and things aren't too bright on the equity market front this morning either. The cash business a dollar higher than last week is a start at some improvement, but cutouts continue to struggle and you just can't get too bullish right now, despite some of the wild hopes for a big rally out there. If we see the outside markets stabilize and turn higher, cattle will follow, but for the open this morning, I'll call both live and feeder cattle 15 lower to maybe 5 or 10 higher.

Moving over to the grain markets, the losses were pretty severe for corn, beans, and wheat Wednesday as the mass exodus from commodity positions continues. A widespread moisture event will keep harvest progress to a minimum over the coming, but the outside bearish

influences are just too much to overcome for these markets. We are testing last week's lows in corn and beans and we definitely need to see those hold.

Overnight electronic trade last night was mixed with Corn 5 cents lower to unchanged, beans 9 to 12 ¼ higher, and Kansas City wheat 1 ¼ to 5 cents higher.

Well there isn't much need to re-hash yesterday's action, as the losses on the board came as a result of the exact same factors that have been plaguing us for some time. As long as the dollar can keep rallying to new highs while the energies weaken and the stock market moves lower, it is going to be tough for the grains to mount much of a sustained rally, regardless of what is going on with the fundamental side of things.

Speaking of fundamentals, we are now going to be looking at some pretty serious harvest delays in much of the Midwest, especially the Western Corn Belt down into Kansas, where a major storm brought incredibly strong winds along with rain and snow to parts of Nebraska and Kansas. Not good news for the corn and milo still in the field, which is most of it in those areas. What was already a long, drawn out harvest just got a lot worse for many producers. Even with harvest delays and a continued lack of farmer selling, the outside bearish forces have been too much for the corn and bean market to overcome. Just because futures aren't rallying doesn't mean there aren't some excellent opportunities out there. Continue to shop basis bids and push your delivery locations as hard as you can—even if you think your offer sounds ridiculous. With the slow harvest and zero farmer selling, commercials need to get their hands on supplies and they are having to do it through basis improvement. Remember, you can always retain your ownership through futures or options, so don't be afraid to sell cash grain to take advantage of better than normal basis.

Weekly export sales data this week was decent for corn and beans, but not that hot for wheat. Corn sales came in at 31.1 million bushels, a little better than the range of guesses from 22 to 29.5 million. Beans sales were 28.8 million bushels, near the top end of the range of estimates from 20 to 29.4 million bushels. Wheat sales tallied only 14.2 million bushels, closer to the low end of guesses from 13 to 20 million. Even with futures not far off of recent lows and big drops in ocean freight rates, the export demand just isn't there. Not to mention the fact of increasing global competition, especially on the wheat front and in some cases corn. A perfect example was the Egyptian purchase of 175,000 T of French wheat this week at 40 to 50 cents less than U.S. supplies, delivered. We can talk crop sizes and carryout until we're blue in the face, but until we rebuild demand, it is going to be difficult to sustain any major rallies, as it is the biggest fundamental factor weighing on prices.

Not much other news this morning, with the outside markets a little quieter today. The dollar is still higher and crude has been mixed, so not a lot of help for the grains there. Without significant outside pressure the sellers will probably be a little more subdued in the grains, so hopefully that allows us to stabilize and recover a bit.

For the open, I'll call corn futures mixed to 2 lower, beans 4 to 8 better, and Kansas City wheat steady to maybe a couple cents higher.

Tim Strunk

Loewen and Associates, Inc.

866 341 6700

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