



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

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Morning Ag Markets

The cattle complex started the week on a stronger note, gaining back a chunk of Friday's losses in the process. The outside market influence actually didn't seem quite as great Monday, with no major gains in the stock market or other outside action to pin the triple digit gains in cattle on. The higher trade was more than likely just the result of an incredibly oversold market that was due to correct after a pretty rough week last week. Hopefully we can see the strength hold and eventually carry over into this week's cash business, but we'll need to see some follow through from Monday's gains, as this market has made a habit of giving back any gains in a hurry lately.

Feeder cattle futures managed some nice gains Monday as well, with the exception of the soon to expire October contract, which was pressured by lower trade in the country. Oklahoma City was called \$2-\$4 lower on the feeders and as much as \$5 to \$10 lower on the calves, completely erasing last week's advance. The news wasn't good out of Joplin either, with feeders called anywhere from \$2 to \$7 lower. That should keep the October contract fairly subdued heading into expiration Thursday, as the index is not going to be making any big jumps.

Cattle slaughter Monday	128,000	+1k	wa	unch	ya		
Choice Cutouts	141.64					+12	
Select Cutout	135.25					+21	
CME Feeder Index:	96.93					-.68	Lean Hog Index 61.01 -.49
Pork carcass cutout value	65.06					-.91	
Hog slaughter Monday	434,000	+3k	wa	+14k	ya		

Calls this morning in the cattle complex are basically just mixed, with not a lot of cattle-market specific news to drive prices. The DOW sold off hard yesterday after the meats were closed, so that might add some pressure at the open this morning, but it looks like the stock market is headed higher this morning so that may help erase some of that hangover effect from yesterday. Too early to make much of a cash call this week, but Monday's gains should help lead the charge for at least steady money, unless of course the board sells off again like it has done so many times lately following big gains. For the open on the board this morning, I will call both live and feeder cattle mixed to maybe 10 or 20 better as some of the outside market action looks pretty supportive.

Moving over to the grain markets, corn and beans finished with some decent gains Monday, led by thoughts we were oversold and due for a bounce after more big losses to end last week. The weather picture looks a lot clearer for this week, so hopefully we can finally see some meaningful harvest progress. Kansas City wheat futures were able to follow corn and beans higher as well, although there still isn't an abundance of fundamental support.

Overnight electronic trade last night was sharply higher with Corn 15 ¼ to 24 ½ higher, beans 56 to 59 ½ higher, and Kansas City wheat 13 ½ to 16 ¾ cents higher.

The USDA caught everyone off guard Monday afternoon by issuing a press release stating they would release a revised October Crop Production report at 7:30 this morning to reflect changes in the numbers given to us on October 10. It sure seemed odd that they would go out of their way to issue revised numbers just two weeks away from the November report, but the USDA says discrepancies in their database caused the errors and they have informed regulators but don't suspect any human wrong-doing. While that may be correct, conspiracy theories will be the highlight of the coffee shop talk this morning. Luckily the changes look to be pretty supportive to the markets, so let's get to the numbers.

For starters, you all remember the big jump in soybean acres on the first October report. Well now the USDA has dropped soybean planted acres 2.1 million and dropped harvested 1.1 million to 74.4 million acres. Yield was left alone at 39.5 bpa, giving a production number of 2.938 billion bushels compared to 2.983 on the first October report. They also cut 30 million bushels from soybean exports, so soybean ending stocks only came down 15 million bushels to 205 million, compared to 220 on the October 10th report.

The corn numbers saw some changes as well, with 1 million acres cut from planted as well as harvested and yield dropped just a tenth of a bushel to 153.9, giving a production number of 12.033 billion bushels compared to 12.2 earlier this month. They also cut corn exports 50 million bushels and chopped 50 million bushels from feed usage as well, a couple of changes that were expected on future reports anyway. The new corn ending stocks estimate is 1.088 billion bushels, down from 1.154 on the first report.

There is no doubt these revised numbers are friendly to the market and should be good for a little bounce, but this whole situation is a little unnerving, as it takes away a very large amount of any credibility the USDA had left in the country among producers and others in the industry. As I mentioned before, the conspiracy theorists will have a heyday with this one, but as of right now it just looks like computer errors, so try not to read too much into it. In the end the news is friendly and we'll take bullish news any way we can get it right now, but keep in mind we still have some pretty serious economic issues around the globe to deal with. In addition, seeing reductions in both corn and soybean demand isn't exactly good for a market in the long term—we need to see demand increasing to help keep us supported. I don't think these new numbers are enough for us to just scream higher for several days, but hopefully they are enough to provide incentive for a little recovery.

Calls this morning are going to be higher following the new numbers. Judging by the overnight action, there were a lot of people not wanting to be short heading into this morning's new numbers and we saw some big gains. That should spill over into the day session, but I'm not sure if we can see the limit up trade some are calling for. There are still a lot of people looking to sell this market that will view near limit gains as a gift. I've seen calls anywhere from 10 higher to limit up corn and beans, so who knows where we'll end up. For the open, I will call corn futures 15 to 20 higher, beans 40 to 50 higher, and Kansas City wheat 10 to 15 higher.

Tim Strunk

Loewen and Associates, Inc.

866 341 6700

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