



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

Pete Loewen

Cattle complex futures enjoyed a day of solid black ink, but the grains were much more shaky..., hogs weren't so fortunate as well. Responding to \$92 cash feedlot trade which is another dollar higher this week, the steepest gains were on the front end led by the expiring October live contract that goes off the board today. There was a very short lived, but very violent squeeze that went on in the October in the final minutes of trade that took prices well over \$2.00 higher at \$94.20 on the top end. They actually expired 70 cents below that level though.

Short bought packers are still in need of a few numbers to avoid losing more leverage, but I'm not so sure they will be willing to part with another dollar and come up to the \$93 asking prices on the remaining numbers. Futures market movement today might lend a hand in determining which side budes or if there are any additional numbers that get flushed out. If we're lower, don't expect packers to budge much. However, there was some limited \$92.50 trade that occurred yesterday, so there IS a legitimate shot at better money.

Cattle slg. __ 128,000 +2k wa -2k ya

Choice Cutout_141.81 +.10

Select Cutout__135.42 +.26

Feeder Index: __95.87 -.15

Lean Index. __ 59.85 -.55

Pork cutout __62.37 -.29

IA-S.MN direct avg __55.91 -1.33

Hog slg. __435,000 +2k wa +13k ya

Calls this morning are no better than mixed in both the hog and the cattle market. WTD hog slaughter is currently running 12k head over last week and 56k ahead of last year. Last week's kill was the first year-over-year lower figure since May of 2007 on a non-holiday week. That got a lot of traders anxious that maybe we were moving towards a lower trend in numbers and some bullish potential. However, with this week's tally so strong thus far, maybe that lower figure from a week ago was just a short term aberration.

In the grains, there was very little follow through from Wednesday's sharp gains, which caught numerous market participants off guard and backpedaling from their bullish stance on the short term trend. Corn started lower and never looked back, finishing in the double digits to the downside. We were 20+ lower in the wheat markets and 2-4 lower in beans. Export sales came out before the open, but didn't offer much direction. The bean number was bullish with 53 mln bushels of sales on the books and more to come next week, mostly from China buys. Wheat and corn sales were dismal though, which widens the discrepancy between grain export trade and oilseed export trade. In other words, bean cumulative sales are well over year ago totals, while corn and wheat are lagging farther behind each week.

A much stronger dollar has been a huge negative to the corn and wheat competitiveness, as has a much larger world wheat supply. Freight rates have been hammered on from the drop in oil prices though, which offsets quite a bit of the change in value of our dollar. One would think the freight change could counteract the currency differences, but other countries share the same freight advantages, so it's not quite as big an impact as you would think.

Overnight E-CBT trade was __ lower with KC Wheat unch to -8 ¼, Chicago +1/4 to -8 ½, corn -3 ¾ to -8 and soybeans -12 to -15 ¼.

Calls this morning are weaker, with beans in the range of 10-15 cents, corn 3-5 and wheat 5-10 lower.

Wheat is still the weak sister of the grain complex from a purely fundamental point of view. You can't go from critically tight supplies to excessively large world and domestic supplies and not hammer on the market quite a bit. For those that missed sales opportunities on the 09' crop at much higher levels, don't get too far into denial mode that futures are going down to not make sales when given the opportunity. I think the wheat market's only prayer at higher levels is if corn and beans decide to take off higher again during the winter or spring. Outside of that there is no hope.

Outside financial markets were mildly lower at about 8:15 when I last checked. That means no help from a higher DOW for a higher grain market open. Calls are lower.

Pete Loewen, Tim Strunk, Matt Hines
Loewen and Associates, Inc.

www.loewenassociates.com

peteloewen@cox.net

timstrunk@cox.net

866 341 6700

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