



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

Date: 11.05.08

## **Morning Ag Markets**

### **Pete Loewen**

With very little fundamental drive behind things other than the euphoria of election day, outside markets were higher and all the ag markets were higher as well. Interestingly enough, that's all we read on the grain and livestock wires all day was "buying tied to optimism regarding the financials and the election". There really wasn't any need to look further.

Yesterday marked another decent surge higher in the beef product trade with choice cutouts gaining nearly \$2.00. Specifically, that's \$2.50 since the week started and when coupled with higher futures trade from Monday and higher cash business from last week that should set the market up nicely for another round of cash gains in this week's action as well.

Pork cutouts however, have been headed in the other direction with a \$4.50+ drop through two days of this week so far and more than \$11.00 down over the last 30 days. Two weeks ago the hog kill dipped below the previous year's level for the first time since May 2007, which brought with it some optimism that numbers were starting to be trimmed on a year over year basis. However, last week's kill tally was 3.3% larger than the previous year, so that erased some of that wishful thinking. While we still believe there is a good chance that numbers will begin a more earnest decline versus year ago levels in coming weeks, the fact that pork packers can't move meat at higher levels, or even steady levels doesn't bode well for the short term direction of the hog market yet.

Unfortunately, that's not a good sign for beef product demand either. Cattle futures are far more sensitive to financial market happenings, than the hog market, which has been a positive factor (along with tight feedlot supplies) behind the latest cash and futures gains. On the domestic side, cheap pork could very quickly put the skids on beef product gains if pork begins to truly lead the features in the weekly retail ads. That might become a limiting factor for a stronger domestic beef argument.

Cattle slg. \_\_ 121,000 -6k wa -12k ya

Choice Cutout \_\_144.71 +1.97

Select Cutout \_\_137.85 +.93

Feeder Index: \_\_96.19 +.45

Lean Index. \_\_ 58.15 -.75

Pork cutout \_\_57.55 -3.53

IA-S.MN direct avg \_\_53.43 -1.37

Hog slg. \_\_431,000 -4k wa +7k ya

Opening calls this morning are 20-30 weaker in the hogs and 20-40 higher in both the live and feeder markets. Feedlot supplies are being offered well above last week's \$92 average and tight numbers still support a higher trending cash market. However, beef packers are also managing the product end by trimming back on the chain speed some, as witnessed by yesterday's light 121,000 head effort. The cattle feeder is in the driver's seat with momentum on their side, so let's hope the pressured pork market doesn't begin to spoil all the potential fun.

In the grains, the positive futures price direction continues to be a welcome factor for the farmer who in many areas is still in the heart of harvest. In my travels around Kansas this past weekend there was a significant amount of corn and milo yet to be harvested and also a considerable number of wheat drills running, mostly into freshly harvested corn ground. I can't say I had ever seen harvest dragging on so late and for that matter, it has been awhile since the wheat stands looked so good as well. Not that a late harvest would have any impact on price, it's been more of a basis driver in some areas than anything else. However, seeing the wheat in such great condition confirmed there isn't much bullish potential for the HRW wheat market at the moment without it being a coat-tail follower of the fall crops and outside markets.

Overnight E-CBT trade was\_\_ mixed with KC Wheat -2 ¼ to +2, Chicago -3 ½ to +1 ½, soybeans -2 ¼ to -8 ¼ and corn -5 ¾ to +2 ¼.

On Monday morning, we get a fresh look at USDA's latest predictions for corn and soybean production as well as ending stocks estimates for the 08/09 crop year. We need to be mindful that they revised acreage figures and some of the usage numbers just last Tuesday the 28<sup>th</sup>, so the odds of further changes to usage are slim. Changes to acreage are slim to none. However, changes to the yield for corn and beans have a chance.

Estimates have been released by Informa and FC Stone this week. Informa's corn number was 153.9, which is dead on with USDA's latest number. Their soybean yield forecast is 40.2 bu/acre, which compares to USDA's 39.5 number. FC Stone is looking for a ½ bushel reduction in corn yield to 153.4 and a .3 bushel drop in bean yield to 39.2. I don't expect to see any fireworks coming from the report because we won't deviate too far from the revisions in late October.

For today's markets I see a mixed opening, but a trend over the short term that continues to have a positive undertone.

**Pete Loewen, Tim Strunk, Matt Hines**

**Loewen and Associates, Inc.**

[www.loewenassociates.com](http://www.loewenassociates.com)

[peteloewen@cox.net](mailto:peteloewen@cox.net)

[timstrunk@cox.net](mailto:timstrunk@cox.net)

**866 341 6700**

**IMPORTANT—PLEASE NOTE**

This does not constitute a solicitation to buy or sell commodities futures and/or options. The information contained herein is provided for informational purposes only. The information is not guaranteed as to its accuracy or completeness, although the information was taken from sources we believe to be reliable. The market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading**

**commodity futures and options. The risk in trading can be substantial; therefore only genuine “risk” funds should be used**