



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

The livestock markets held it together remarkably well on Wednesday despite the sharp downturn in the grains. Live cattle were stronger on the now spot December contract, but mildly lower on the rest. Feeder cattle contracts finally showed some actual reaction to lower corn and steady fats by trading higher across the board on the day.

Beef product trade continues to impress me with \$2.50 to nearly \$3.00 gains across both the choice and the select quotes in the afternoon recap. That's 7 out of the last 8 sessions with higher prices quoted and an awfully good start to the month of November. Packers are facing loss of leverage in the cash market from tighter available supplies, so they trimmed back the chain speed some last week to compensate and really began pushing product quotes hard higher at the same time. So far it's working wonderfully for all parties, with higher cash, higher product trade and eventually higher prices on the retail shelf, which obviously ISN'T a good factor for the consumer.

The problem with this picture- and I started to point it out yesterday, is that pork product quotes are getting hammered at the same time beef is going up sharply. \$5.43 has been extracted from pork cutouts through the first 3 days of this week, with the bulk of the pulldown coming from hams and bellies. Cheaper pork gains a competitive advantage domestically against beef at some point, which is either going to pull hogs up, or cattle down. My best guess is, it will be the cattle market that will eventually give in to the pressure, but that may be 10-20 days away yet also.

Cattle slg. __ 122,000 +12k wa -4k ya

Choice Cutout_147.64 +2.93

Select Cutout__140.32 +2.47

Feeder Index: __96.33 +.14

Lean Index.__ 57.74 -.44

Pork cutout__56.74 -.81

IA-S.MN direct avg__51.91 -1.52

Hog slg.__435,000 unch wa +9k ya

Opening calls this morning are unevenly mixed in both the cattle and the hogs. Fundamentally, I'd call cattle higher and hogs lower, but financial markets closed sharply lower yesterday and the early undertone to those markets were lower today and that may begin to weigh on the cattle some. As long as the futures market in cattle can hold somewhat steady without giving in to the pressures of the DOW, cash could easily be another \$1 to \$2 better in this week's trade for feedlots.

In the grains, it was very disappointing to see beans lose more than ½ dollar on Wednesday, corn down more than 20 and wheat 30+ lower. Wheat's only prayer at better money is from spillover out of corn and beans and it was obvious those markets were weak sisters yesterday. There was talk that Southeast feed markets were shopping bids for wheat imports, which I believe offered even more momentum to the downside as US wheat and even corn bids into that area are higher than what we would pay to import Black Sea wheat.

Folks, that's what's called a global market. That's also why wheat and corn have lost favor in world export trade. We're not the cheapest product out there at the moment...

Overnight E-CBT trade was__ mixed with KC Wheat +1/4 to -4 ¾, Chicago +1/4 to -6 ½, corn -3 ¼ to -6 ½ and soybeans unch to +4 ½.

Opening calls this morning are unevenly mixed with maybe an early weak undertone if financial markets are taking a hit still before the grains open. I think a lot of traders came in to this week with a positive bias over the short term, but got their tails handed to them yesterday with the steep drop. Weather right now domestically has moved back to a friendly bias from heavy snow in parts of the Dakota's, Nebraska and Iowa/Minnesota. The heaviest is slated for eastern ND and with only 11% of their corn harvest completed as of Sunday, I don't think we need to question that there will be some crop loss in some areas. Fall moisture and colder temps showed up with a vengeance across the western and northern Corn Belt yesterday, so I'm not sure I'd join the crowd as an active seller on a lower start.

Export sales were out this morning, but don't offer any fodder for the bull in corn and wheat. Bean sales were large at 32.9 mln bushels, but that was expected- with China continuing to be a big buyer. Corn sales were a dismal 18.6 mln and wheat was neutral to negative at 13.5.

I'm calling beans 1-3 better, corn 2-3 lower and wheat 3-6 weaker.

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Loewen and Associates, Inc.

www.loewenassociates.com

peteloewen@cox.net

timstrunk@cox.net

866 341 6700

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