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Morning Ag Markets

The cattle complex started out the week on a mixed note, with most live contracts finishing in the green while there was just a bit more red on the feeder board. Attitudes are still pretty good in cattle country in the wake of last week's mostly \$2 jump on the cash fed trade, with many expecting higher trade again this week. The big gains in cutouts Monday will help with that as well, as choice cutouts have now put on close to \$10 in the past week. That is exactly what needed to happen to continue to the higher trend in the cash market and hopefully we can see it again this week. We just need to see the board hang on in order to keep the friendly psychology around the market and I'd say the chances are pretty decent of maybe putting another dollar or so on this week's cash.

The feeder trade was very slow Monday, mirroring that of the live pit. The big Monday auctions reported sales from steady all the way to \$4 higher on the yearlings in Joplin while Oklahoma City was steady to \$2 higher on most cattle. For now the live market will remain the biggest driver of the feeder action with just not a lot of other influence. If we can keep the fat trade trending higher, feeders should follow along as well. If you have the cattle bought right and do not have any risk management in place, be ready to act as there is no reason to not protect potential profits if given the opportunity. To blindly think we are just going to continue higher into next year is to firmly believe we have put all our economic problems behind us, and I don't know too many people in that camp.

Cattle slaughter Monday 110,000 -5k wa +7k ya
Choice Cutouts: 152.06 +1.81
Select Cutouts: 143.56 +1.06

CME Feeder Index: 97.55 +1.10

Lean Hog Index 55.47 -1.03

Pork carcass cutout value 56.88 +.61
Hog slaughter Monday 436,000 +8k wa +47k ya

Calls this morning in the cattle complex are pretty much just mixed with news on the light side once again early in the week. We could see the spot December live contract show some strength, as it is at a pretty steep discount to cash currently. We are towards the end of the Goldman Roll, which has pressured the spot month a bit lately. Once that finishes up, we should see futures come a little closer to cash. If cutouts post another performance today like they did Monday, it should set us up nicely for another round of higher cash later this week, assuming we don't run into a disaster on the board. Right now things look pretty good for the cattle complex and hopefully that can continue for a while longer. For the open on the board this morning, I will call live cattle mixed to 10 or 15 higher and feeders maybe 10 lower to 10 higher.

Moving over to the grain markets, Monday's trade was very choppy after a higher open gave way to lower trade, only to see corn and beans post an impressive turnaround into the close to finish higher. Monday's USDA report numbers really didn't hold any market moving surprises, so most of the focus was still on outside markets. Kansas City wheat futures finished in the red despite the rebound in corn and beans, as we got yet another bearish reminder of the current wheat supply situation with the release of Monday's reports.

Overnight electronic trade last night was mostly lower with Corn 5 ½ to 7 ¾ lower, beans 20 ¾ to 25 ¼ lower, and Kansas City wheat 3 ¾ cents lower to ½ penny higher on the March contract, although volume was non-existent.

Well the release of the monthly Crop Production and Supply and Demand reports yesterday really didn't hold any big surprises for corn, wheat, or beans, with the numbers viewed largely as a non-event. The markets opened higher, in line with the Sunday night trade, but quickly sold off as the outside market support subsided. However, into the close corn and beans were able to rally and finish the day with some decent gains, despite a lack of support from the outsides.

Yesterday afternoon brought the release of the weekly crop progress report, with corn harvest now reported at 71% complete, up from 55% last week but still 17% behind normal overall. Iowa is 28% behind, Illinois 15%, Minnesota 15%, Nebraska 27%, and South Dakota 28% behind. We did see some progress last week before the major storm blew through the Midwest, dumping snow and rain in many areas. More rain is falling now and harvest activity is going to be slowed once again across the region, dragging this deal on even longer. The good news is bean harvest is pretty much complete, coming in at 93%, which is actually right on the 5 year average. Forecasts are still relatively cool and wet, not something most producers want to hear. The moisture events are not supposed to be major, so hopefully we can string together a few good drying days and get this harvest finished up sometime before Christmas...

Yesterday's Crop Progress reports had the winter wheat crop at 94% planted, right in line with last year at this time and also right on the 5 year average. Emergence was at 83%, also just about even with the average for this time of year. The moisture that has slowed fall harvest this week will offer another boost to the winter wheat crop in many areas heading into dormancy, with this crop off to a much better start than last year. Currently 68% of the overall winter wheat crop is rated good to excellent, up from just 49% last year. Kansas is rated even better than that, with 78% rated good to excellent and another 18% in the fair category. Not a bad start for the largest wheat producing state in the country. While that is good news for wheat farmers, it just adds further bearish influence to a wheat market that has plenty of bearish news already, which was reinforced on yesterday morning's reports showing growing U.S. and world wheat carryout. It is clearly going to take a production issue in a major wheat producing country to turn the supply situation back to the bullish side for wheat, and that just doesn't appear to be on the horizon for the time being.

Other news is fairly light this morning and we are back looking at outside market action for direction. Right now most of the influence is on the negative side, with crude down this morning and the U.S. dollar a little stronger. The stock market also appears to be on the weak side this morning as futures were quite a bit lower overnight. That outside market influence likely led to the lower grain trade overnight and it looks like that will carry over into the open as there isn't much else out there to help push us higher to start.

For the open I'll call corn futures 4 to 5 lower, beans as much as 15 to 20 lower, and Kansas City wheat 2 to 5 lower. One last but very important note, don't forget it is Veteran's Day and we would like to thank all current and former members of our military for their service and sacrifice.

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