



## ***Loewen and Associates***

***Commodity Brokerage/Consulting***

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Date: 2.25.10

### **Morning Ag Markets**

The cattle complex was very mixed on the day Wednesday after we got most of the week's news out of the way on Tuesday. The early week cash trade caught most by surprise and we did see a few more cattle trade in the North Wednesday at levels even with Tuesday, as well as last week. There are probably still a few Texas cattle to go, but the bulk of this week's business is likely pretty much wrapped up. The futures market action was all over the place Wednesday, with the February live contract holding steady as we approach expiration tomorrow, while the April and June contracts gave up a little ground. With the somewhat shaky futures trade so far this week as well as the inability of cash to keep moving higher, there are likely a few traders getting nervous and moving to the sidelines for a bit. The rampant buying interest has definitely slowed down and that has left the trade choppy with a lower bias for the most part this week.

We continued to see the choice-select spread narrow up Wednesday, with choice now just 30 cents over select. I don't know if that is due to the fact that consumers just aren't willing to pay for the higher quality cuts or what the story is there. I'm still waiting for some reasonable analysis regarding the move and so far no one has come up with much. It is interesting to note it has happened in the midst of a sharp rise in cutouts, so apparently someone is still willing to buy beef at the higher values, just not pay a premium for choice.

Cattle slaughter Wednesday 123,000 -1k week ago -2k year ago  
Choice Cutouts: 149.92 +.14 Select Cutouts: 149.62 +.63  
CME Feeder Index: 101.48 -.07 Lean Hog Index 67.76 +.32  
Pork carcass cutout value 71.42 -1.04  
Hog slaughter Wednesday 424,000 -3k week ago -7k year ago

Calls this morning in the cattle complex are just going to be mixed, with little news once again to push us big in one way or the other. We have had a little correction the past few days and didn't get much support from this week's cash business, so the feeling may remain that we have topped out this recent run, at least for now. With cash business all but wrapped up for the week news should remain pretty light for the next couple days, which likely means more choppy trade. For the open this morning, I will call both live and feeder cattle 10 lower to 10 higher, with the calls weakening a bit as we get closer to the open and the electronic trade continues to back off a bit.

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Moving over to the grain markets, Wednesday was another choppy session with corn and wheat futures leading the gains this time despite another day of no real news. There was some light outside market support but nothing major to drive the trade in a big way. The front end of the soybean market was the laggard as we saw some spread unwinding after more rumors circulated of Chinese cancellations, something we should probably get used to.

Overnight electronic trade last night was lower with corn 1 ¼ to 2 lower, beans 2 ¾ to 6 ¾ lower, and Kansas City wheat 4 ½ to 5 ¼ lower.

Well Wednesday was another day of two-sided grain trade with some price movement that was really fairly difficult to explain, much as it has been all week. In the end we chopped higher throughout the day to finish with some encouraging corn and wheat closes, with corn actually closing into new highs since mid-January, just after the big report. The short is being chased away here lately in the corn

market, although I still don't think we're ready to just run away to the topside anytime soon, unless there is some sort of unforeseen developments ahead of the March USDA crop report as well as the planting intentions number coming at us in about a month. The soybean trade yesterday saw the front months the weakest as there was some spread liquidation as well as talk of heavy hedge pressure from South America as their harvest continues to progress in some areas. As we move forward over the next couple of months, that hedge pressure should be fairly evident as there are a lot of bushels that will need protected as South American farmers deliver beans. The weakness in the bull spreads yesterday also led to more rumors of China cancelling bean sales, but nothing could be confirmed, similar to last week. It is a safe bet anytime over the next few months that we see the front end of the bean market trade the weakest, that someone will mention Chinese cancellations. While I fully expect to see some of those cancellations, we likely won't know for sure until well after the fact. As far as the wheat trade goes yesterday, obviously there was nothing behind the gains other than the market continuing to chase after some of the weaker position holders in a market absolutely loaded to the gills on the short side.

We did have a few new numbers thrown at us this morning in the way of January Census crush numbers as well as weekly export sales data. For starters, the January soybean crush was pegged at 167.18 million bushels, a little below the 171 million expected but well above the December figure of 145.2 million. Perhaps the bigger number in the Census report was the soymeal stocks, which came in at 630,497 tons, well above the 520,000 expected and almost 200,000 tons higher than the previous month. The meal situation continues to look very bearish and may act as a drag on the entire soybean complex.

On to the export sales data, which was fairly unimpressive for corn, beans, and wheat this morning. The corn number came in at just 15.8 million bushels, well below the guesses from 23 to 33 million. Wheat sales were 13.8 million bushels, closer to the low end of the range of estimates from 11 to 18 million. And lastly, the weekly soybean export tally was just 8.8 million bushels, falling below the range of guesses from 9 to 13 million. There were some China beans included on this week's report, but obviously not a huge amount. The good news is we are still seeing positive bean export numbers, something that could change within a month or two once the South American harvest is in full swing and their beans are moving into an exportable position. All in all, there won't be any support for corn, beans, or wheat from this morning's numbers.

In a couple of other export related notes this morning, China's Commerce ministry has issued a new estimate on their soybean imports, with their new guess for total bean imports the first three months of the year at 10.6 MMT, compared to their previous estimate of 12 MMT. So not only does the U.S. have to compete with much more plentiful and cheaper bean supplies available in South America, we also have to deal with the fact China may not buy as many beans as earlier anticipated. Time will tell, but this was just another shot across the bow when it comes to our bean trade. In other export news, many reports indicate both South Korea and Japan are looking to renegotiate terms with U.S. corn suppliers as quality issues pop up. Hard to tell if there have already been problems with exported corn or if it is just all the talk floating around of poor quality that has them spooked. Either way, we may be walking on thin ice when it comes to some of our big export customers, for corn and beans both.

That is about it for news this morning, with the outside markets adding some pressure overnight into this morning by way of nearly \$2 lower crude and some strength in the dollar. Calls will be lower for the grains, with the export numbers not helping either. For the open I will call corn futures 3 to 5 lower, beans 4 to 8 lower, and Kansas City wheat 5 to 8 lower.

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