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Morning Ag Markets

The cattle complex was mixed to mostly higher to start the new week, with the live market once again leading the gains as we carried over Friday's strength into Monday and saw the spot April contract push the \$96 level at times. It appears as if traders feel feedlots can be successful again this week in coaxing higher money out of packers after the \$2 to \$3 jump seen last week. At this point I can't argue and we did see cutouts take a nice jump Monday on the choice product, although not near enough to cover the jump in cash last week. We were around these levels on the product trade at the first of the month and cash was still around the \$92 mark, so it definitely isn't the demand side of things pulling cash higher. Chalk it up to the higher futures trade on the back of the fund obsession with cattle and give a little credit to the supply situation, with smaller numbers of cattle and lower carcass weights after a brutal winter combining to lessen the available supplies. My early week cash call is no worse than steady, with board direction still playing a big role in whether or not feedlots can hold out for their higher asking prices up around the \$96 level in the South.

The cash feeder trade to start the week was higher, as should have been expected after the way we closed out last week, although the gains weren't mind boggling. Oklahoma City had another fairly large run of cattle with the lighter weight steers naturally the strongest, called \$2 to \$3 higher. Their female counterparts were called steady to a dollar higher while the heavier feeder steers were steady to \$2 higher. Joplin was steady to \$3 higher with the lighter animals the strongest there as well. I'm actually a little surprised we didn't see an even bigger jump on some of those cattle destined for grass at the big sales Monday, although everything is still priced plenty high in relation so where the feeder board is trading, as apparently there hasn't been much pencil sharpening going on before some of these purchases are made.

Cattle slaughter Monday	125,000	+5k	week ago	+3k	year ago
Choice Cutouts:	150.83	+1.19		Select Cutouts:	148.94 +.44
CME Feeder Index:	102.33	+.24		Lean Hog Index	74.95 -.05
Pork carcass cutout value	74.05	+.22			
Hog slaughter Monday	418,000	+9k	week ago	-3k	year ago

Calls this morning in the cattle complex are going to be mixed to a shade lower for the most part as the live cattle market tried to pull back a bit in the overnight electronic trade into this morning and feeders were mostly lower as well. It may start to get a little difficult to keep pushing a lot higher from these levels without some additional supportive news, as spot live cattle futures are already well over last week's cash, but I wouldn't rule anything out. Most guesses are turning higher for this week's cash business, but we'll have to see what the board does leading up to the start of that business and we also have a cattle on feed report to deal with this Friday as well. For the open on the board this morning, I will call both live and feeder cattle mixed to 10 or 15 lower.

Moving over to the grain markets, it was a fairly quiet start to the week with little news and enough outside market pressure to keep any gains from building. Corn futures finished just a shade lower for the most part while beans tried to hold higher on the front end. Kansas City wheat futures gave up all of Friday's gains and are now back down around the contract lows scored last week as the wheat fundamentals definitely aren't improving.

Overnight electronic trade last night was a shade higher with corn ½ to 1 higher, beans ¾ to 1 ½ higher, and Kansas City wheat 1 ½ to 2 ¼ higher.

Well there was very little excitement to start the week for the grain markets, with some fairly narrow trading ranges and just not a lot going on to push the trade one way or the other. It was interesting to see some fairly significant pressure in crude oil as well as some notable strength in the U.S. dollar, but the grains really didn't react. The biggest move of the day came in the soybean meal/soybean oil spread, with about a \$1200 per contract correction thanks to higher meal and sharply lower bean oil. Over the past couple of weeks bean oil has been the strongest leg of the entire soy complex, but that was a pretty major correction.

The wheat markets were fairly weak Monday, giving up Friday's little gains and falling back down near the contract lows scored last week. There was talk Monday that Japan was testing samples of Black Sea wheat to see if it could be approved for import, which if that happens, it would be another major blow to U.S. wheat demand, as we are a big supplier to Japan. Many don't think they will switch as Japan's wheat import allocations are based on trade offsets, and it doesn't appear Japan has enough trade with Russia and Black Sea nations to offset the wheat trade. Either way, the news didn't do our wheat markets any favors Monday, and we could definitely use some favors as good news is fairly hard to come by lately for the wheat trade.

Export inspections Monday were less than impressive for wheat, with shipments falling to 9.2 million bushels from 21.1 last week. Total wheat shipments to date this marketing year stand at 652 million bushels, well behind last year's total at this time of 805 million. Corn shipments were a little better at 36.5 million bushels, down from 38 last week. Total year-to-date shipments are 882 million bushels vs. 857 last year, so we are still running slightly ahead. Soybean shipments were 31.5 mil bu compared to 33.9 last week, but the interesting note was the fact that Chinese shipments dropped to 13 mil bu from 21 last week and 23 million the week before that. Likely a sign of things to come, but we'll have to wait and see. With the U.S. and China at ever-increasing odds over various issues, I'm afraid our bean trade is even more vulnerable than it normally would be with big South American crops coming on. Our saving grace would be the development of major logistical problems in Brazil or Argentina, which is a very real possibility. So far no major reports of problems, but Brazil isn't quite half through with harvest and Argentina is just getting started. Stay tuned.

Other news is fairly light again this morning, with no major market-moving stories floating around out there to influence opening calls. The outside markets are turning a little more supportive at this point with crude moving higher and the U.S. dollar weaker, so that may help us out a bit at the open. Calls will be a little higher, in line with the overnight action, although there isn't anything out there that I think should push us in a big way, unless these outside markets really take off.

For the open this morning, I will call corn futures 1 to 3 higher, beans 3 to 5 higher, and Kansas City wheat 1 to 3 better.

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