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Commodity Brokerage/Consulting

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Morning Ag Markets

The cattle complex was able to stage a decent recovery Wednesday in the wake of the lower trade from earlier in the week, with feeder cattle futures leading the way. The spot April live cattle contract was the laggard, as we saw the cash business this week take a turn for the worse after a couple weeks of big gains and that took the steam out of the front end of the futures market. The Southern cash trade is likely wrapped up for the week after Monday and Tuesday, with trade reported at mostly \$97 and a few down to \$96 on Tuesday. The northern trade picked up Wednesday, with the Nebraska dressed business called anywhere from \$151 to \$152, which was as much as \$3 lower than last week. I would say most of the cash business should be wrapped up for the week except for maybe some clean up in the north, but the market moving stuff is likely over for the week. We saw cutouts make another triple digit advance Wednesday, the 8th day in a row for choice. The problem is the fact that we saw less than 200 loads of product moved-counting choice, select, trimmings and grinds. That is a very poor mid-week number and yes cutouts may be shooting higher, but wholesalers haven't been big buyers with spot sales prices too rich for their blood for the most part. I don't know how much longer we'll see cutouts continue to shoot higher and yes, it has likely helped packers out quite a bit, but if they aren't moving product out the back door, it is all eventually going to come to a head. Meaning it more than likely takes lower product values to spur the normal springtime movement that would indicate the demand side was kicking in, something that needs to happen to help sustain the kinds of price levels we have seen recently.

Cattle slaughter Wednesday 123,000 -2k wa -1k ya Hog slaughter 429,000 +5k wa +5k ya
Choice Cutouts: 162.57 +1.16 Select Cutouts: 160.34 +.60
CME Feeder Index: 105.54 +.47 Lean Hog Index 71.27 -.36 Pork carcass value 72.72 +.02

Calls this morning in the cattle complex are mixed to maybe a little higher on some live and feeder contracts, with the electronic trade looking pretty two-sided this morning. With March feeder cattle futures still around 50 cents over the cash index heading into expiration today, it should be pretty tough to see much strength there for fear of futures running too far ahead of the index. With news pretty much wrapped up for the week on the live side, we may be relegated to some slower, choppy trade, unless the funds decide to make a move. For the open this morning, I will call live cattle 10 lower to 10 higher and feeders similar, maybe 5 to 10 lower on the spot March contract and a chance at 5 to 15 higher on some of the other months.

Moving over to the grain markets, we saw some fairly significant outside market pressure Wednesday, most notably from the U.S. dollar moving to new highs for the year. We were lower across the board in the early going before corn futures found a little short covering into the close as we had pushed down close to new lows for the year on some months. Beans continued to find some selling pressure while the wheat markets really didn't do much of anything with little news to push prices other than the outside markets.

Overnight electronic trade last night was a mixed corn ½ lower to ½ higher, beans ¾ to 4 ½ higher, and Kansas City wheat 1 ¼ lower to ¾ higher.

The ability of the corn and wheat markets to hold in there yesterday in the face of some notable outside pressure was at least halfway encouraging, although definitely not enough to change long term opinions of those markets. Chalk it up to some spread activity and a little short covering when corn

and wheat weren't able to break through those old lows as we tested the bottom end of the recent trading range. The U.S. dollar made new highs for the year yesterday thanks to weakness in the European currency, which continues to struggle under the weight of the concerns with Greece and their ability to cover debt. Pretty amazing to see our dollar at new highs for the year with everything we have going on domestically, but for now there is at least one other major currency in the world looking to be in worse shape than our dollar. It is no secret the value of our dollar is tied very closely to the commodity trade, so any new developments in the world currency markets are worth monitoring.

Another interesting development yesterday was the fact that talk about a labor strike in Argentina had zero effect on the soybean market, with any work stoppages expected to be short-lived. Yesterday was a holiday in Argentina anyway, so there couldn't really be much in the way of new developments. Basis does continue to weaken on supplies out of Brazil as they have moved past the 50% mark in their bean harvest progress, so the concern must not be too great over the availability of Argentine supplies or we would likely see some better basis bids for other points of origin.

Weekly export sales data this morning didn't hold any major surprises, although most of the numbers were pretty decent relative to the expectations. Corn sales came in at 23.9 million bushels, in the range of guesses from 16 to 26 million. Bean sales tallied right around 10 million bushels for old crop, just slightly above the range of estimates from 5.5 to 9.2 million. Not a huge number again but we are at least still seeing some business done despite the onset of South American harvest. As we get deeper into the Argentine harvest and more beans make it to port locations, we can probably count on several more weeks of light bean export sales and shipments alike. Wheat sales this morning were reported at 13.6 million bushels, within the range of estimates from 11 to 16.5 million. The U.S. remains uncompetitive in many global wheat markets and the picture isn't that pretty when it comes to regaining a share of those markets anytime soon. In the end the export numbers shouldn't really do much for the markets this morning, as there was nothing too far out of line from the expectations.

Well it is looking like another day of not much news after the export numbers failed to provide much direction one way or the other and the outside markets are fairly quiet. Weather will still get some attention and even more so as we move into the next few weeks, but for now forecasts are looking a little better next week. We have a couple more rain systems to get through but by next week temperatures are expected to be well above normal across much of the Midwest and the precip looks limited for now. For those that miss the rains late this week, the fieldwork should start to pick up before long and there are already scattered reports across the Midwest about wheels turning. For others that is only a dream at this point, but hopefully next week's forecasts hold and we can start making some progress when it comes to drying out and getting back in the field.

Not much else to talk about this morning as the trade continues to mark time until next Wednesday's reports. Private acreage estimates continue to roll in but at this point it is anyone's guess what they will tell us next week. For now it looks like corn and wheat want to try and hold the recent lows, but I wouldn't count on that forever, especially if we start to see this weather clear up and the outlook improve for some progress in the field. Everyone likes to be bullish around planting time as we start a new growing season, but right now the news itself hasn't lent much support to the market. The bulls will be counting on another excessively wet spring or some sort of a surprise in a USDA report, as other than that there isn't much out there to further their cause.

Calls this morning will be just pretty much steady, in line with the overnight session. For the open, I will call corn futures 1 lower to 1 or 2 higher, beans steady to 3 higher, and Kansas City wheat 2 lower to 2 higher.

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