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Morning Ag Markets

The cattle complex had another fairly impressive day Wednesday, led by the feeder market which continues to scream higher into new contract highs on most months. Some notable losses in the corn market combined with continued technical strength and speculative buying interest pushed the trade Wednesday, with underlying support still coming from the strong cash feeder trade in the country. The live market was much more subdued on the day, with just some moderate gains seen as there was no fresh news out of feedlot country and we just didn't see the buying interest that was noted in the feeder market. The strength on the board up to this point this week should help support the cash business, with most now looking for trade up around at least the \$96 mark and possibly higher if the board hangs in there. No big revelations in Wednesday's product trade, with cutouts values hanging steady and movement remaining less than impressive. Bids in feedlot country seemed no better than \$94 Wednesday, which obviously wasn't going to buy any cattle. We'll see what today brings, as we could start to see buying interest pick up ahead of the Good Friday holiday tomorrow, which means no futures trade. For now I will go with a cash guess between \$96 and \$97, which leave us pretty much steady with the middle to upper end of last week's wide range in the South.

One quick note on cutout values since we spend so much time talking about them-in the month of March, the peak 1 day beef movement total was 300 loads. The last 8 business days have seen just one day's movement over 200, and that was yesterday. In that same time- choice cutout values have come up around \$10.00. For comparison sake, in March of 2009, the peak single day load count was 524. Choice quotes were also nearly \$27 lower last year at the same time. So somehow we are sustaining cutouts nearly \$30 higher while moving half the product at times. Can that be sustained? So far it has, but it is still our belief that it will take lower product values to get beef moving in a big way, which we still feel is necessary for sustaining these elevated levels over time.

Cattle slaughter Wednesday 125,000 +2k week ago +17k year ago
Choice Cutouts: 163.75 +.27 Select Cutouts: 160.63 -.48
CME Feeder Index: 106.73 +.14 Lean Hog Index 69.27 -.45
Pork carcass cutout value 72.76 -.17
Hog slaughter Wednesday 431,000 +2k week ago +10k year ago

Calls this morning in the cattle complex are mixed to maybe a little higher again, as we got some follow through in the electronic session overnight into this morning before turning mixed the past 30 minutes or so. Still no news out of feedlot country, with asking prices up around \$98 or \$99 and bids nowhere near those levels yet. We should see the buying interest pick up somewhat today with the markets closed tomorrow, but the feedlots have the backing of sharply higher futures this week and won't be in a hurry to give in to lower bids. We're probably looking at \$96 to maybe even \$97 on this week's Southern cash business, barring any disasters on the board today. It wouldn't be too surprising to see some profit taking develop today after the stellar week and for the open I will call both live and feeder cattle 15 lower to 15 higher.

Moving over to the grain markets, Wednesday's USDA planting intentions report didn't hold much in the way of surprises with both corn and bean acres coming in a little lower than the average guesses. However, the quarterly stocks numbers were much larger than anticipated for corn and especially beans, sending the markets into a sell-off that ended with some severe losses on the front end of the bean market and sharply lower corn and wheat on the day as well.

Overnight electronic trade last night was higher with corn ½ to 1 ½ higher, beans 3 to 3 ½ higher, and Kansas City wheat 5 to 6 ¾ higher.

Well heading into yesterday's reports the acreage guesses were getting all the attention, as that is always a big topic of debate every year. However, it was the quarterly stocks numbers that drove the trade yesterday after we found out there was apparently a lot more corn and beans around than anyone thought. If confirmed on the June stocks report, we are looking at some serious changes in our carryout projections, taking us from fairly tight beans to plenty comfortable and corn from just about neutral to decidedly bearish. With some strength over the past couple weeks in the soybean bull spreads, they were ripe for a correction and when we found out there wasn't as much need to be concerned about short-term bean supplies, that correction started. It was severe throughout the day with 40+ cent losses seen at times on the front end of the bean market while the new crop November contract wasn't nearly as bad. On the corn side, the market had been struggling heading into the report and the downside potential was not quite as great as that for beans, but we still struggled on the day and are now back down within striking distance of those lows from last fall. I would be surprised to see us breach those lows for now, at least until we see that we did indeed get this crop planted and it is off to a good start to the growing season.

Yesterday's report numbers obviously got most of the attention for the week and the stocks data will definitely have some lasting implications in the marketplace. Getting back to the acreage numbers, keep in mind those numbers can and will change between now and the June final acreage report. We have seen some decent weather this week and fieldwork is progressing in many areas, alleviating some of the early concerns about getting the corn crop in the ground on time. Weather will play a big role in determining the final acres, while the market still has something to say about it as well. All that aside, we still feel there are some unaccounted for acres out there that the USDA left out of yesterday's numbers, and we wouldn't be surprised to see those show up at some point, potentially adding to both the corn and bean totals. The focus will now shift to watching weather as we move into the heart of planting season and as of right now there still don't seem to be any major concerns over lasting wet conditions.

We did get weekly export sales data this morning, with the numbers decent for corn and wheat but lagging for beans. Corn sales came in at 32.5 million bushels, just over the range of estimates from 23 to 32 million. Wheat sales tallied 15.8 million bushels, also beating the estimates from 11 to 15 million. Soybeans registered just 6.6 million bushels of sales, not even making it to the range of estimates from 13 to 22 million. China did buy some beans last week, but most of their purchases continue to be for new crop supplies. We still aren't seeing cancellations, which is a good thing, but the sales pace has definitely slowed.

In other news this morning, Argentina's labor issues appear to have been resolved, at least for now, with dock workers expected to resume normal loadings late yesterday. Don't be surprised to see that situation flare up again before it's all said and done, but for now we can't count on that as a supporting factor for our markets. In other South American news, the Argentine grain exchange raised their corn production estimate yet again, this time to 21 MMT from their last guess at 20.2. They also put corn harvest at 42% complete. Their bean crop guess was unchanged at a healthy 53.5 MMT. For now, the news out of South America is definitely not on the bullish side.

Calls this morning will be a little higher as the grains tried to recover a bit overnight, which isn't surprising after yesterday's debacle. Energy markets are higher again this morning while the dollar is just mixed, and we'll need to monitor those outsides into the open as always. Remember there are no markets tomorrow in observance of Good Friday, so anything is possible today as we close out the week and start a new month and quarter. For the open, I will call corn futures 1 to 2 higher, beans 2 to 5 higher, and Kansas City wheat 4 to 6 better.

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