



## **Loewen and Associates**

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Date: 04.05.10

## **Morning Ag Markets**

**Pete Loewen**

The last trading day heading into a long three day holiday weekend was flat in the meat complex, but higher once again in the hogs. A few of the deeper deferred contracts finished lower, but the front 5 contracts were in the green, just no spectacular gains like they enjoyed earlier in the week.

Cash feedlot trade was wrapped up on Thursday with the Southern Plains average coming in at \$96 live. Nebraska reported trade from \$96-\$97.50 live and \$156-\$157 dressed. The previous week's action started at \$97 early in the week and ended at \$95, so I guess we'll have to call \$96 a steady number.

Given the fact that just two weeks ago a lot of analysts were calling for the high to be in for the cattle market in both futures and cash trade, last week sure raised a few eyebrows and a LOT of questions... The spot April Live futures were up \$2.62 aided mostly by spillover out of wildly higher hog futures following the bullish quarterly March Hog report. That jump in futures (once again mostly from spillover strength) really changed the picture in cattle again. What it's all going to boil down to is the ability of packers to move product at higher money in the choice and select cutouts. They won't have the ability or willingness to push cash trade higher if they can't move the meat price higher. Plus, they really can't move meat prices up much if they can't get product moving out the door. Movement over the last two weeks out of the coolers has been BAD. Bad to the tune of only 1 day over 200 loads and it was only 202.

In the feeder cattle market, the combination of red hot stocker cattle trade and bearish crop report data helped underpin the outlook on the feeder market. Gains of as much as \$10 on light weight calves in the National Summary were reported as producers chase a perceived limited supply for turnout in a few short weeks. Whether it's warranted or not, when you trim the herd year after year it limits availability and that mentality coupled with people not wanting to let valuable grass go has people paying way too much for calves once again.

Cattle slg. \_\_\_ wtd 637,000 +22k wa +28k ya

Choice Cutout\_163.01 -.40

Select Cutout\_161.27 +.50

Feeder Index: \_\_\_107.96 +.53

Lean Index\_\_ 69.49 +.34

Pork cutout\_\_74.49 +.35

IA-S.MN direct avg\_\_71.31 +.37

Hog slg.\_\_\_ wtd 2.179 mln -9k wa +16k ya

Weekly closes in the livestock trade had the April Live Cattle up 2.62, April Feeders up 3.17, August Feeders up 3.90 and April Lean Hogs up 4.45.

Opening calls this morning are mixed to mildly higher in cattle and 10-40 better in the hog trade. Cash cattle calls are looking higher this week and cash hog trade is a gimmee at better money this morning as well.

In the grain markets, the post March report trade was (for lack of a better term) interesting?? The acreage figures had a negative undertone and quarterly stocks data was bearish as well. However, the weekly closes really didn't have that much net changed attached to them. Corn was down a little, beans up a little and wheat down a little.

Weekly closes in the grains had Dec corn down 8 ½, Nov beans up 7 ¾ and July KC Wheat down 4 ¾.

Overnight E-CBT trade was\_\_ unchanged to lower in wheat and a little higher in corn and beans. KC Wheat finished unchanged to -1, Chicago unchanged to -1/2, corn unchanged to +2 ½ and soybeans +1/2 to +2 ¾.

Alright, the key thing that these grain markets are going to begin to focus on in coming days and weeks is going to shift to weather. There is corn to be picked in the western and northern Corn Belt, a lot of fertilizer and field prep to get accomplished and corn planting to commence. Weather will be the key! With that comment comes two things- potential and volatility. Soybean futures relative to corn futures have already begun to make a move to protect plantings. The spread of 1 bean to 2 corn has moved 71 cents in the last month. While that isn't a super-dynamic move, it IS the bean market telling us it's not going to move down significantly without confirmation it gets another 1-2 mln acres in the total crop acreage base this spring. It's not that there isn't enough total acres to go around, because there is. However, if the weather turns clear and warm and corn planting is going well, it is tough to get farmers to switch over to beans. That's what is driving that spread at the moment.

Wheat condition ratings will begin being reported nationwide this week. While the condition ratings released this week will be fantastic, that still doesn't remove the weather "potential" relating to frost and freeze potential over the next month or so. That's about the last bullish leg that market well-wishers have to stand on relating to wheat. Without it, wheat has a long way down to go yet.

When you look at the charts from last week's action across corn, beans and wheat- wheat made it into new contract lows and extended the losses. New crop corn broke out on the downside of the sideways range it had been in all year. Soybeans are still stuck in the sideways range they have been in all year.

To summarize the big picture fundamentally once again, the risk in the grains is lower heading into summer and as always WEATHER is the "potential" to change that picture!

I'm calling the grains mixed and quiet at the open. Without much action in the overnights, where else do you go with it??

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