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Morning Ag Markets

Well different week, same story for the cattle complex, with big gains seen again Monday after a week of higher trade last week. The feeder market continues to hold the hot hand, with several contract months pushing \$2 gains throughout the day. The cash feeder trade was still very strong as well, with Oklahoma City called \$2 to \$3 higher on the feeder steers and as much as \$5 higher on the feeder heifers. Of course the stocker cattle are the hottest ticket, with the steers called anywhere from \$4 to \$8 higher and the heifers \$5 to \$10 higher. The heifers picked up some slack this week and showed the biggest gains, as they had been lagging a bit during this advance, which isn't overly surprising. In case you're wondering, the top end of the range on 5 weight steers was pushing \$140 for the medium and large 1's in Oklahoma City. Joplin was similar; with the lighter steer calves as much as \$5 to \$10 higher and all other classes seeing higher trade as well. Buyers seemed abundant for all weights and classes of cattle and the result was the general sharply higher trend. Some unheard of numbers coming out of the country as the futures market continues to run and apparently it is just assumed that will be always be the case by those paying that kind of money for these animals. The current cash index is right about \$4 below the board, but needless to say that index will continue to come up as the cash market does not seem to be quieting down, at least on the feeder side.

As far as cash fed cattle trade goes this week, the higher start on the board obviously will jump start the hopes for higher cash this week after we held steady for the most part last week. The \$96 trade was a dollar lower than the bulk of the previous week's trade, but I think we can probably call it steady after the business dropped as low as \$95 the week before. With April futures starting to approach the previous high at \$98.70, cash may make another run at the \$98 highs as well. Cutouts are still well supported, although as has been the case for a while, movement is non-existent. Nonetheless, packers seems to remain fairly aggressive in coming after cattle, leading to steady to higher early week cash calls at this point.

Cattle slaughter Monday 113,000 -13k wa unch ya Hog slaughter 296,000 -134k wag -119k ya
Choice Cutouts: 164.23 +1.22 Select Cutouts: 161.42 +.15
CME Feeder Index: 108.67 +.71 Lean Hog Index 70.04 +.55 Pork cutout value 75.02 +.53

Calls this morning in the cattle complex are a little weaker, with lower trade in the electronic session overnight and this morning for the first time in a while. News is typically light for a Tuesday, but there is no doubt we are due for a little breather, as April feeders are up over \$4.50 in the past 4 sessions. No telling when we might see some cash fed cattle trade, although there already appears to be some packer interest showing up and if the right basis situation developed we could see some cattle move early this week. On the other hand, feedlots are about as bullish as could be and won't be in any hurry to give in, especially with overall showlists looking a little smaller again this week. I'd say \$97 is a decent cash guess for the Southern live business at this point, leaving us a dollar higher in the South. For the open on the board this morning, I will call live cattle 10 to 15 lower and feeders maybe 20 to 40 lower to start.

Moving over to the grain markets, things were fairly quiet Monday, with little buying interest surfacing despite what should have been fairly supportive outside markets. It looks like the index fund obsession with the grains may have died down and moved elsewhere for now, likely the livestock markets. In the end beans finished with modest losses Monday while corn was right around unchanged, as we saw that spread correct a bit after the recent move in favor of beans. Kansas City

wheat futures settled a shade higher after a mixed session, with little news and nothing to push us one way or the other in a big way.

Overnight electronic trade last night was mixed with corn $\frac{3}{4}$ higher, beans $1\frac{1}{4}$ to $2\frac{1}{4}$ higher, and Kansas City wheat $\frac{1}{4}$ to $\frac{1}{2}$ higher.

Well Monday was another day of the grain markets seemingly ignoring some notable outside market support as crude oil saw more triple digit gains and the dollar was weaker, yet there weren't many grain buyers around. Those funds that have been such big buyers at times in the grains just aren't there with the orders and it doesn't look like anyone else is ready to step in front this market at the current time.

As far as news yesterday, export inspections for wheat and corn weren't bad, but the soybean pace continues to slow, as should be expected. Wheat shipments were 20.1 million bushels, taking us to 708 million for the year. We need to ship an average of 15 million a week for the next two months to make the 825 million bushels wheat export estimate, which we have a decent chance of doing. Keep in mind that is still 190 million bushels less than a year ago when it comes to exports. Corn shipments were 39.4 million, taking us to 1.008 billion for the year and leaving us needing about 44 million bushels a week in shipments for the rest of the marketing year to meet the USDA expectations. Bean shipments were just 16.2 million bushels, taking us to 1.254 billion on the year. We'll need to average a little over 7 million bushels a week to meet the USDA expectations, so we'll have to keep an eye on that number as we move through the spring and more South American beans becoming available.

Crop Progress reports out yesterday gave us another glimpse of wheat crop conditions, with the overall winter wheat crop rated 65% good to excellent compared to just 43% at this time last year. Kansas was actually down a point this week to 69% good to excellent while Oklahoma was unchanged at 69% good to excellent and Texas was also unchanged, coming in at 60% good to excellent. Colorado did show some improvement, coming up 3 to 73% good to excellent. The big soft wheat states aren't in quite as good of shape, but as a whole we are still on track for a very large wheat crop, despite the reduced acres. Next week will bring our first look at overall corn planting progress figures from the USDA. Judging by the progress in the Southern states, we should see the overall number come in ahead of last year's 2% planted for the same date, with the number more likely to be closer to the average around 6% planted for that date.

Well it wouldn't be a Tuesday without another round of revised South American production estimates, and you guessed it-they are getting bigger. The Argentine Ag Ministry raised soybean production to 55 MMT, eliminating the lower end of the range from their previous guesses of 51 to 55 MMT. The Brazil grain analyst Celeres raised their Brazilian bean crop estimate to 67.2 MMT from 65.7 previously. In addition, another agency estimates Brazilian bean harvest at 73% complete compared to 59% last year and 46% on average. That means they should be starting to get a good handle on crop size and the estimates keep getting bigger, something that should spook the soybean bulls.

Calls this morning will be just mixed, in line with the overnight action. These markets have been pressed pretty hard lately and it may be tough to keep that up on a consistent basis. Now that doesn't mean I think we are ready for a big rally, because the fundamentals certainly don't point to it and the fund buying interest doesn't seem to be there to drive it either. There is always the short covering rally possibility, but the long term picture is still not overly friendly. Weather forecasts don't look to provide a major boost to anything at this point, although there is some rain still in the forecasts, mostly favoring the Western Corn Belt and the Plains. No lasting delays are expected and fieldwork will still advance around the showers. Those in the Eastern Corn Belt should really be seeing some progress in the field. For now it doesn't look like spring weather will be the savior of these markets, as there don't appear to be any big storylines anywhere at this point, at least for now.

For the open this morning, I will call corn futures maybe 1 lower to 1 higher, beans mixed to 2 higher, and Kansas City wheat 2 lower to 2 higher.

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