



## **Loewen and Associates**

*Commodity Brokerage/Consulting*

**Pete Loewen, Tim Strunk,**

**Matt Hines, Doug Biswell**

**866 341 6700**

**www.loewenassociates.com**

Date: 04.07.10

## **Morning Ag Markets**

**Pete Loewen**

After a long run at higher prices, the livestock complex finally took a breather and settled back on mild profit taking during Tuesday's session. Nothing really changed on the fundamental front during the trading session and no major news was out there to drive things during the morning hours either. The afternoon was another story altogether though. Several news sources cited "profit taking" as the culprit for the selloff in the morning, but generally that's just code word for "they don't know either", so we'll just leave it at that.

What happened after the close in cattle was pretty phenomenal. Beef packers showed their true desperation to gather numbers, particularly in the north. Cash trade broke loose starting in Kansas and Nebraska at mostly \$1.00 higher values than the previous week, but the earliness and aggressive nature of the bids caused many to pass. What transpired over the course of the afternoon following that early trickle at \$98 was crazy. Packers paid anywhere from \$100 to \$101 live and \$160-\$162 dressed in the north with a few selling on the hoof as high as \$101.50. Kansas traded from \$98 early to \$100 late with some \$101 cattle going out of state. Colorado was \$100 to \$101 and Texas even trade some as high as \$100.

What is interesting about this trade is the debacle it puts the processor in who is selling meat out the back door for \$162-\$164 and having to pay up to \$162 to procure that beef. The emphasis here probably needs to be placed on the theory that there just isn't a lot of available numbers out there for them to pull from. These afternoon product reports that are still pushing choice and select cutouts higher this week, still don't show good movement in the load counts which also emphasizes to me that there might not be a whole lot of "honesty" in the reporting of those load totals...??

One thing is for certain- this is an amazing market right now, but trying to put a finger on exactly WHY the momentum is this stout is tough!

Cattle slg. \_\_\_126,000 unch wa +4k ya

Choice Cutout\_164.94 +.71

Select Cutout\_162.65 +1.23

Feeder Index:\_\_\_109.19 +.52

Lean Index.\_\_\_70.69 +.65

Pork cutout\_\_76.49 +1.47

IA-S.MN direct avg\_\_77.10 +3.66

Hog slg.\_\_\_424,000 -9k wa -2k ya

Calls this morning in the meats are 50-100 higher in the hogs and in the range of \$2.00 better in the live and feeder cattle markets. This is a basis traders dream in the live cattle market for those that sold cattle at \$1.00+ yesterday.

---

In the grain markets, there were some interesting moves taking place, some not too unlike the cattle. Reports were that the same profit taking culprit was what drove wheat to double digit gains. It's hard looking out the window at sunshine and ample moisture and wheat that has taken off growing like crazy over the last two weeks and also trying to be bullish at the same time, so it would probably be prudent not to get all bulled up based on Tuesday's higher action!

Overnight E-CBT trade was\_\_ lower in wheat and mixed in corn and beans. KC Wheat finished -4 ¼ to -4 ¾, Chicago -3 ½ to -4 ¾, corn +1 ¾ to -1 ¾ and soybeans +1/2 to -4.

Coming off a long 3 day holiday weekend and prospective plantings and quarterly stocks reports from last week, it feels too soon to be getting another batch of USDA numbers coming at us this week. On Friday, we get the April S&D report figures which will implement those quarterly stocks figures into a fresh new balance sheet. Average guesses for the wheat ending stocks number is 1.001 bln bushels and that would be unchanged from March. Soybean stocks guesses are 209 mln bushels versus 190 mln in March. Corn average guesses are 1.911 bln, which is a sharp jump from 1.799 bln in the last March report. I don't see this being a shock to anyone, as we all penciled through this potential immediately following the release of last week's quarterly stocks data anyway.

On a side note regarding the report on Friday, you might recall us talking about the b.s. surrounding the feed and residual usage figures going up strongly for corn shortly after the first of the year- those numbers should be taking a hit in Friday's report. Since the March stocks increased so much in corn, they'll have no choice but to cut that category on the usage side of the balance sheet to account for the increased supply. Some are saying that at least half of the 300 mln bushel jump will be taken back out and we'll argue that further down the road the entire 300 mln and maybe even more will come out of it. In the end, that means corn ending stocks could push up over 2 bln bushels for this marketing year. That is also what keeps a lid on the fundamental picture in the corn market.

We don't need to hash out the bearishness of a bln bushel wheat supply, so let's move on to beans. The soybean market is teetering on the edge of 200 mln bushels of supply, BUT a huge Southern Hemisphere crop to add to the coffers. Weather will be a key factor in the US bean market because if it's clear and warm this spring, corn could steal a few more acres from beans. If corn planting doesn't proceed well, beans could gather more... I think that's what is holding beans up in the \$9.00 range still. If we get the 2-3 mln increase in bean acreage that we think is coming, beans will have an "8" as the handle on price.

That is all long term talk about the grains. The short term talk is weather and planting progress and crop conditions.

Calls this morning are mildly lower in corn and beans, 3-5 lower in wheat.

# **Pete Loewen & Tim Strunk**

**Loewen and Associates, Inc.**

[www.loewenassociates.com](http://www.loewenassociates.com)

[peteloewen@cox.net](mailto:peteloewen@cox.net)

[timstrunk@cox.net](mailto:timstrunk@cox.net)

**866 341 6700**

## **IMPORTANT—PLEASE NOTE**

This does not constitute a solicitation to buy or sell commodities futures and/or options. The information contained herein is provided for informational purposes only. The information is not guaranteed as to its accuracy or completeness, although the information was taken from sources we believe to be reliable. The market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading commodity futures and options. The risk in trading can be substantial; therefore only genuine “risk” funds should be used.**