



## ***Loewen and Associates***

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Date: 4.13.10

### **Morning Ag Markets**

The cattle complex was moderately lower to start the week as the buying enthusiasm from last week just wasn't there Monday. The result was the spot April live contract unable to hold above that \$100 mark after testing it early in the day. There is no doubt we were due for a correction in both fats and feeders and I don't think Monday's action can be viewed as terribly negative just yet. Cutouts were up over a buck again and there is still plenty of optimism in the country regarding this week's cash fed cattle business. In fact we saw packers get their hands on a few cattle in Kansas Monday with some dressed sales reported at the \$159 mark, \$1 higher than last week. There wasn't really enough trade for a true test but most are still looking for no worse than steady to more than likely higher cash again this week.

The cash feeder trade has a stronger undertone to it again to start this week, although not quite the jump seen the past couple of Mondays. Receipts were up almost 9000 head between Joplin and Oklahoma City as producers try to take advantage of the recent market strength. Some of the lighter steers in Joplin actually backed off a bit with those under 500 pounds called steady to \$3 lower, while the steers over 500 pounds were still steady to \$2 higher. The heifers were anywhere from steady to \$3 higher, led by those over 700 pounds. The feeders in Oklahoma City were steady to \$2 higher while the stockers weren't well tested but had a higher undertone as well.

Cattle slaughter Monday 125,000 +12k week ago +11k year ago  
Choice Cutouts: 166.31 +1.04 Select Cutouts: 163.31 +1.04  
CME Feeder Index: 113.31 +1.63 Lean Hog Index 75.52 +.63  
Pork carcass cutout value 79.82 +.31  
Hog slaughter Monday 409,000 +128k week ago +119k year ago

Calls this morning in the cattle complex are just mixed as the electronic trade was pretty two-sided overnight and was a shade higher for the most part on live cattle and mostly lower feeders coming into this morning. Hard to say if we'll see any additional cash business today after the scattered Kansas trade yesterday, but that was most likely inspired by a positive basis situation following the pullback on the board. If packer bids resurface around that \$100 level, more trade wouldn't be surprising, especially if the board is closer to \$99. For the open this morning, I will call live cattle mixed to 10 higher and feeders maybe mixed to 10 or 20 lower.

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Moving over to the grain markets, it was a fairly quiet start to the week with the grain markets not finding much support from a weaker dollar, as fairly good weather continues to cap any major corn rally attempt and the wheat markets can't find a reason to rally either. The front end of the bean market was a little stronger Monday on word of a new Chinese soybean purchase, but there are still some question marks there as well.

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

Well the grain markets were fairly quiet to start the week, seemingly ignoring some further weakness in the U.S. dollar, which is a continued argument for strong commodity prices. The grain trade was very choppy throughout the day and about the only market moving news came from the announcement that China had bought 120,000 MT of beans for July shipment. Lots of talk in the trade surrounding

the announcement as some felt it would be changed to new crop or it would eventually be switched to South American origin as the U.S. bean export program is slowing tremendously with the availability of cheaper and more plentiful beans in South America. Nonetheless, we still saw the front end of the bean market show some strength as the bull spreads made a comeback, but I'm not sure I would count on those continuing to perform like they did Monday.

In other news yesterday, export inspections were unimpressive across the board as we saw lower numbers for corn, beans, and wheat. Corn shipments came in at 32 million bushels, down 10 million from last week and taking us to 1.044 billion for the year. With current USDA projections for corn sales this marketing year at 1.9 billion bushels, we need to ship about 47.5 million bushels a week to meet that number, which will be no easy task and we could eventually see that corn export number come down again. Bean shipments last week were 13.4 million bushels, down 4 million from the previous week. In order to meet the recently raised USDA export projection, we need to average just under 10 million bushels in shipments for the rest of the marketing year, which ends August 31 for corn and beans. Lastly, wheat shipments were 17.1 million bushels last week, down 4 million from the previous week and leaving us needing to average 23 million over the next 6 weeks to meet the recently raised USDA export projection for the marketing year ending May 31. Possible, but we will need to watch it pretty closely.

Monday afternoon brought the much anticipated first corn planting progress figure and the number wasn't quite as high as most expected. The USDA says we have planted just 3% of the nation's corn crop to date, only beating last year by 1% for the same date and still 1 point behind the 5 year average. I would say as a whole most producers appear to be ahead of last year at this point and in some cases well ahead. With more decent weather this week, there will be a lot of corn go in the ground. Keep in mind it is also still pretty early for a lot of areas, so Monday's number really shouldn't mean much to the corn market for now. With weather forecasts looking clear for the majority of the Corn Belt this week, don't be surprised if we see a big jump in that planting progress number by next Monday, maybe to as high as 20 or 25%.

Winter wheat conditions didn't show much change over the past week, with the crop still rated 65% good to excellent overall. We did see the Texas crop come down 2 points in the good to excellent categories following last week's freezing temperatures in some areas, but so far it doesn't look too bad. The Kansas crop is still rated 69% good to excellent, the same as last week, while Oklahoma came up 2% to 71% good to excellent. With the way the forecasts look, most of hard red winter wheat country is going to get a nice drink this week and that shouldn't do anything but further increase the prospects of a solid crop this year.

That is about it for news this morning, with weather still looking favorable for most of the Corn Belt. We should see planting progress continue around a few scattered showers but as a whole things look good. The heavier rains look to be centered up on wheat country, which may slow planting in parts of the Plains but the wheat farmers will definitely take it after this recent stretch of warmer and drier weather. With 1 to 3 inch totals across the heart of hard red winter wheat country, we are still on track for a good crop in most areas.

For now there just isn't much of a story for the grain markets and that has been reflected in the trade. With no current weather concerns or other major news, it looks like the slower, choppy trade will continue. The outside markets will continue to exert their influence at times while the fund activity still plays a role as well, but as whole there isn't much out there to drive the trade. For the open this morning, I will call corn futures 1 to 2 lower, beans 1 to 3 lower, and Kansas City wheat steady to 2 higher, although the forecast probably warrants lower calls.

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