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Morning Ag Markets

The cattle complex saw some notable weakness for the second day in a row Wednesday, led once again by the feeder market which posted triple digit losses across pretty much all contract months. The front end of the live market had 3 digits in the loss column as well, with that spot April contract struggling under the pressure of some long liquidation. It is no secret the funds have been after the cattle markets in a big way lately as buyers and as we move closer to expiration of that April contract, we are seeing more and more of those positions liquidated. Throw in the fact that the cash fed cattle trade slowed a bit this week and acts a little tired and the result was the steep losses seen on the board the past two days. We did see some additional fed cattle trade at \$99 in Texas Wednesday, steady with Tuesday business. A few dressed deals in Nebraska were reported at \$160 to \$161, steady to \$2 lower than last week. We haven't seen huge numbers of cattle traded but over the past couple of days packers appear to be close to satisfying their needs for the week. The fact that they were able to do so at steady to even lower money in some cases probably made them feel victorious for the first time in a several weeks. You can't really blame the feedlots for letting cattle go at the \$99 or \$100 mark, as the very strong basis situation is hard to pass up on hedged cattle.

There is no doubt there has been some wind taken out of the sails of the bulls the past couple of days, but we really haven't done any significant damage as most live and feeder contracts are still within a couple dollars of the highs scored late last week. I would imagine some of those that were paying over \$700 for a 5 weight steer just a few days ago are probably a little nervous, as they likely needed the market to keep moving higher and stay there to have a shot at those cattle making any money. I'm not saying that can't still happen, but these past couple days should serve as a wake-up call to those of you not running any numbers before you raise that hand at the sale barn.

Cattle slaughter Wednesday 122,000 -6k week ago -1k year ago
Choice Cutouts: 166.74 -.18 Select Cutouts: 164.85 +.35
CME Feeder Index: 114.10 +.29 Lean Hog Index 76.40 +.46
Pork carcass cutout value 82.44 +1.17
Hog slaughter Wednesday 406,000 -7k week ago -20k year ago

Calls this morning in the cattle complex are a little higher as we saw a little recovery overnight into this morning on the electronic session. With the cash fed cattle trade probably close to wrapping it up for the week it may be tough to find much direction from there for the rest of the week, so the market will most likely be at the mercy of the technicals and whatever the big money decides to do. For the open this morning I will call live cattle 15 to 25 higher and feeders maybe 20 to 30 better.

Moving over to the grain markets, corn and bean saw a little strength at times Wednesday before slowing down into the close, although corn futures still finished moderately higher. We pushed right up against resistance again on corn and beans and couldn't push through, likely leading to some of the selling later in the day. Kansas City wheat was a little lower, unable to hold after scoring new recent highs early in the day. Forecasts still look good for both the wheat crop and corn planting progress, so most of the credit for the early strength has to go to the outside markets.

Overnight electronic trade last night was mixed with corn 1 to 2 lower, beans ¼ lower to 1 higher, and Kansas City wheat unchanged to 1 ½ lower.

Well the corn market finally got its chance to lead the grain floor Wednesday after being in the back seat for quite some time without much going on. We saw quite a few buy stops triggered when we moved above last week's highs and at times we were over 10 cents stronger on the day before settling down a bit into the close. I don't think you can pin the strength on anything fundamental, as the weather forecasts still look to hold a pretty open planting window for most of the Midwest and there wasn't anything else going on to drive the trade. The bean market tried to show some strength yesterday as well, but failed as we pushed right up against the top end of the trading range we have been in since January. The little rally back to the top end of that range appears to be bringing out some farmer selling, most notably in South America as basis levels continue to weaken. It was interesting to note that we saw \$2 plus gains in crude oil and a sharply weaker dollar throughout much of yesterday's session, but that didn't translate into overly impressive closes for the grains. Part of that was the fact we were pushing up against those resistance levels, but the big money doesn't seem to be flowing into the grains right now, as in the past \$2 higher crude and notable U.S. dollar weakness would translate into better gains across the grain floor.

Weekly export sales data released this morning looked pretty dismal for wheat, not much better for beans, but fairly impressive for corn for the second week in a row. Corn sales came in at 39.6 million bushels, just beating the top end of the guesses from 29 to 39 million. Japan and Mexico were big buyers again along with South Korea, as the regular customers kept our corn sales pace well supported. Soybean sales tallied just 5.8 million bushels for old crop, well below the guesses from 11 to 18 million. We did see 10.8 million bushels of new crop bean sales thanks to China, and they were also buyers of a small amount of old crop. Still not an overly impressive week for bean sales and traders will be watching closely to see if next week's report shows confirmation of the private sale of two old crop cargoes to China that was reported Monday. Speaking of unimpressive, wheat sales were just 3.7 million bushels last week, not coming anywhere close to the estimates from 16 to 24 million. Doesn't look good for the USDA after they raised their old crop wheat export figure last week, but I suppose there is still time left, albeit not very much with the marketing year ending May 31. In the end the corn export sales number should be mildly supportive, beans pretty neutral to a shade negative, and the wheat number definitely on the bearish side. One last export-related news tidbit, South Korean corn imports are up 50% for the first quarter of this year compared to last, with U.S. corn exports to South Korea in the first quarter this year at 1.3 MMT compared to just under 608,000 MT last year. As you can see, they have played a big role in our increased corn exports, to the tune of about 30 million more bushels in the first quarter this year.

There really isn't much other news out there this morning with the markets taking a little breather overnight. I don't see anything in the news this morning to make me think we are ready to push these markets a lot higher for now and I think it may be pretty tough to crack yesterday's highs without a surprise in the news or outside markets. For now those outsides aren't offering any support and as I mentioned, there isn't much in the news either. Weather forecasts get a little wetter for the Midwest next week but with this week wide open for the most part and forecasts still not looking overly threatening for most of the Corn Belt, we are going to see some serious planting progress this week. There is still plenty of moisture in the forecast for wheat country and it couldn't come at a better time as a few areas were starting to dry out a bit and now it looks fairly wet in the region for the next week or so. The bottom line is weather is not going to be the savior of these markets for now, unlike the many predictions flying around not long ago.

Calls this morning will be just mixed to a little lower in the wake of a fairly quiet night session that was mostly a shade lower. The wheat markets should see the most weakness following the export numbers this morning as well as the weather forecasts, but there are no guarantees. For now, I will call corn futures 1 to 2 lower, beans mixed to 2 lower, and Kansas City wheat 2 to 4 lower.

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