



## **Loewen and Associates**

**Commodity Brokerage/Consulting**

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Date: 04.19.10

## **Morning Ag Markets**

**Pete Loewen**

There were some great weekly closes posted in the grain markets, hogs were up nicely as well, but the cattle complex futures trade didn't fare so well. Cash hog trade was up more than \$6.00 for the week and pork product was up just slightly less than \$6.00. Cash cattle trade was steady to maybe just a hint of a weaker undertone. Beef cutouts were up just shy of \$2.00 in both the select and the choice quotes. Like I said though, the futures side of the cattle complex was under pressure and actually if it hadn't been for a 75 cent higher close in the spot April live market on Friday, the front end of the fats would have looked ugly, just like the feeders.

So, after seeing cattle futures sell off most of the week, the big questions that needs asked now is whether cash cattle trade is done going up, or if last week's setback was just a minor pause before the resumption of the upward climb?? From an available supply standpoint and with weights significantly below year ago levels, the cash market should be climbing still. Plus, after getting that 75 cent higher close on Friday, it will provide incentive for feedlots to probably price cattle higher again this week.

This coming Friday we have an On Feed report coming out. Following the lead from the Canadian On Feed report that was released last Friday and showed placements up 16%, US placements in March are expected to have climbed quite a bit as well. The average trade guess falls in the range of 102%-110%. On Feed estimates have been very much in line at 97%. March Marketings range of guesses is 102%-106%. Given the fact the cattle being sold in late March and now through April have looked very good on the closeouts, demand for replacements has been very strong and we will see not only a big placement number from March, but maybe even bigger in the April numbers that will come out on the May report next month.

Cattle slg.\_\_\_wtd 632,000 +16k wa +24k ya

Choice Cutout\_166.90 -.06

Select Cutout\_164.22 -.41

Feeder Index:\_\_\_113.45 -.15

Lean Index.\_\_\_76.88 +.26

Pork cutout\_\_85.34 +.09

IA-S.MN direct avg\_\_80.24 +1.37

Hog slg.\_\_\_\_ wtd 2.032 mln +15k wa -92k ya

Weekly closes in the livestock had April Live Cattle down 90 cents, June down 10, April feeders down 2.57, August down 1.65, May hogs up 2.55 and June hogs up 1.77.

Opening calls this morning are just mixed in the cattle, but hogs should start out easily in the green.

Goldman Sachs getting socked with fraud-related charges dealing with mortgage-backed securities sent hedge funds scrambling for cover in several markets on Friday. Gold, energies and the DOW took big hits and for the grains it meant a day short covering and higher prices. There was also a report that JP Morgan has been accused of manipulating silver futures, abusing their index fund position limit exceptions to drive traders into stops. This is developing into a big black eye for the commodity and index FUNDS, which is needed if abuse has been ongoing!

Weekly grain market closes had the Dec Corn up 15 1/2, Nov beans up 29 and July KC Wheat up 23 1/4.

Overnight E-CBT trade was\_\_ lower with KC Wheat -2 3/4 to -5, Chicago -3 to -5, corn -3 to -6 1/2 and soybeans -4 1/2 to -7 3/4. Beans were down in the double digits early this morning, but came back just a touch into the close at 7:15.

Outside market action this morning has the energies under heavy pressure and the dollar stronger.

Planting progress and crop condition reports come out this afternoon and although they are usually talked about only in passing, this one will be very closely watched because of the corn planting pace. Several reports are touting the potential for corn planting to be as much as 30% complete, which would be up from only 14% on average. A lot of Illinois farmers are done planting corn already with reports there are some beans going in now too. Illinois is expected to be 40%-45% done in the report.

The aggressive planting pace on corn has many talking about more corn acres and less beans. However, we'll still argue that; a) there are plenty of available acres for both crops to see increased seedings, and b) the bean/corn spread has widened out considerably in the last 30 days- so beans are protecting themselves via price appreciation relative to corn.

Weather-wise, the 6-10's are very cold in the west and cool in the Midwest with much above normal precip west and a little wet through the southern part of the Corn Belt. The northern part of the Corn Belt is dry.

The biggest excitement this week in the grain markets will be watching the newly developed bullish technicals trying to compete with the building bearish story on the fundamental side. South American harvest is progressing rapidly as Brazil bean harvest is estimated at 87% complete versus 75% on average. The US corn planting is progressing rapidly and the HRW wheat crop should be in fantastic condition. My "HOPE" would be that the technicals win the battle in the short term to provide more selling opportunities for the longer term trend – which will be lower!

I'm calling corn 5 lower, beans 7-8 lower and wheat 2-4 lower at the start.

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