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Morning Ag Markets

The cattle complex was very mixed to start the week, with feeder cattle futures finishing higher thanks to the corn market action while live cattle were mostly lower, with the exception of the spot April contract. Outside market pressure kept a lid on things but the cattle market action really wasn't too bad all things considered. We actually saw some notable strength in the deferred feeder contracts as corn futures all of a sudden didn't look as bullish as they did to end last week. The cash feeder trade to start the week had a mixed tone to it, with the lighter cattle starting to back off a bit while some of the heavier animals hung in there a bit better. Joplin saw a wide range of trade, with steers under 500 pounds called as much as \$5 to \$10 lower, the 5 to 7 weights \$3 to \$7 lower, and those cattle over 700 pounds were called steady to \$2 higher and also found the best demand. Oklahoma City was steady to \$2 lower on the feeders while the calves weren't well tested but did have a negative undertone. The grass frenzy finally appears to be slowing down, although those summer feeder contracts are still easily within striking distance of their highs, especially after Monday's performance.

Cash fed cattle guesses for the week are mostly around steady money for now, which would put the trade somewhere around the \$99 mark in the South. Cutouts were higher yet again Monday, although there is still plenty of concern regarding consumer demand once these higher product prices get pushed down the line. We should be starting to get into some better numbers of cattle in the coming weeks which may weigh on the trade as well. For now I will stick with a steady cash guess as well, pending the board action leading up to the start of the trade. I'm not sure we'll see the early week business again like last week, but I would imagine a \$99 bid would probably get some cattle bought, assuming the board is close to where it is now. Current asking prices are as high as \$102, but that would clearly take some work and there hasn't been any bids surface at this point.

Cattle slaughter Monday 125,000 unch wa -2k ya Hog slaughter 409,000 unch wa -14k ya
Choice Cutouts: 167.10 +.20 Select Cutouts: 164.71 +.49
CME Feeder Index: 113.09 -.36 Lean Hog Index 77.72 +.84 Pork cutout 86.14 +.80

Calls this morning in the cattle complex are on the mixed side with feeder a little lower in the electronic trade this morning while fats were still holding a shade higher. News remains typically light for this early in the week and I would be surprised to see the cash business get going today like it did last Tuesday. With no bids out there yet and packers supposedly in pretty good shape supply-wise thanks to contract cattle, they may not need to get quite as aggressive this early in the week. For the open this morning, I will call live cattle 5 to 15 higher and feeders maybe 10 to 20 lower as we flip flop from yesterday's closes.

Moving over to the grain markets, we started off the week on an ugly note, especially for corn and wheat, as those markets gave back most of last week's gains in just one session. The outside markets added some pressure and when we were unable to build on last week's strong closes, the selling pressure intensified. Fundamental news wasn't abundant to start the week, but that didn't stop us from seeing big losses on the day Monday, although the bean market held in there fairly well all things considered.

Overnight electronic trade last night was higher with corn 3 to 3 ½ higher, beans 7 ¼ to 7 ¾ higher, and Kansas City wheat 7 ½ to 7 ¾ higher.

Well the bullish psychology that seemed to be everywhere to end last week quickly disappeared Monday, as a moderately lower open built into some big losses for corn and wheat, while beans held in there a little better considering what was happening in the other markets. Sharp losses in crude oil and a stronger dollar helped add some pressure as news was really relatively considering the board movement. It was announced Monday that 165,000 tons of soybean sales to China for the current marketing year had been cancelled, with that sale moved to new crop. If you'll remember, early last week there was an old crop sale reported that we said would likely be moved, and sure enough, that is what happened. That didn't seem to hurt beans much, as the bull spreads actually gained a penny on the day despite news that should have pushed them the other way. The only wheat news Monday was the fact that forecasts still look favorable for this year's crop, with Texas and Oklahoma receiving heavy rain over the past week. Lack of moisture will not be an issue for most of the Southern Plains wheat crop, a luxury not seen for a while. The corn market news Monday revolved around the planting progress seen over the past week thanks to favorable weather, although forecasts are starting to look quite a bit wetter starting this week for much of the Corn Belt.

Speaking of planting progress, we got our second look at how much corn has gone in the ground so far this spring, with the overall number coming in at 19% planted. That is up 16% from last week and 14% over a year ago on the same date, and 10% ahead of the 5-year average. Illinois led the way for the big corn states, with 34% of their crop in the ground, compared to just 1% last week. That means Illinois farmers planted over 4 million acres of corn over the past week—a fairly impressive feat. Clearly we have benefitted from some excellent weather up to this point, although it looks like things are about to turn a little wetter, starting in the Plains mid-week before spreading to the remainder of the Midwest over the weekend. They aren't talking widespread heavy rains, so there will still be some fieldwork done in the areas that miss the rains and no lasting delays are expected at this time. Many folks probably wouldn't mind a little rain shower right now anyway, so I don't think the rain in the forecast will serve as a big supporting factor for the corn market, at least for now.

Yesterday afternoon's Crop Progress report also gave us a new look at the condition of the wheat crop, with some notable advances showing up in this week's numbers. Overall the winter wheat crop was rated 69% good to excellent, up 4 points from last week and an eye-opening 26% ahead of last year at this time. The Kansas crop was up 2 points to 71% good to excellent, Oklahoma up 3% to 74% good to excellent, and Texas up 3 to 61% good to excellent. With the recent widespread rain showers in much of the region followed by seasonal temperatures, more rain, and no threat of cold weather—this wheat crop appears to be on cruise control. Some of the soft wheat states are still lagging, but even they are starting to come around a bit as well. There was definitely nothing for the bull in the wheat crop condition report, or really anywhere else for that matter. Once again, the biggest supporting factor for the wheat markets currently is the large number of speculative short positions, which leaves us prone to rallies like the one seen last week. You all saw how that worked out yesterday, as the market proved there was no reason for the advance as it took back everything in just a few hours Monday.

We did see the markets recover a bit overnight, as perhaps Monday's losses got a little out of hand for corn and wheat. Crude oil is trying to recover this morning as well, while the dollar is a shade weaker, so the outside markets are a bit supportive. Other market-moving news is pretty light this morning and calls will be higher as we look to recover a bit from yesterday in classic turnaround Tuesday fashion. Traders will continue to monitor forecasts for extended wet weather, but with this start to the planting season, it will take a lot to generate much concern. Other than that, not much else to drive the trade and it is back to watching technicals and waiting for fresh news. For the open this morning, I will call corn futures 2-3 higher, beans 4 to 7 better, and Kansas City wheat 5 to 7 higher.

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