Loewen and Associates

Commodity Brokerage/Consulting

Pete Loewen, Tim Strunk,
Matt Hines, Doug Biswell
866 341 6700
www.loewenassociates.com

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Morning Ag Markets

The cattle complex was stronger Wednesday as both live and feeder cattle posted moderate gains on the back of more new highs in hogs, as that market seems to be the new leader of the livestock trade. We actually saw some new contract highs in cattle as well, with several of the deferred live cattle months leading the way. News was light again Wednesday with nothing to report from feedlot country, although the rally on the board has asking prices creeping higher, with some modest $98 bids not even catching the eye of feedlots looking for at least $102. I suppose we could see some trade today, but buyers may try to hold out until after Friday's on feed report, hoping for some sort of miracle to break down the psychological advantage still enjoyed by feedlots. However, board action will likely play a bigger role in the cash trade development, so a big swing either way could easily influence the cash business at any point between now and the end of the week. At this rate, it looks like it is probably going to take a little better money to get anything bought, barring a big correction on the board.

As I mentioned earlier, the hog trade has been the darling of the meats lately with sharp increases seen not only in the futures market, but in the cash and product trade as well. The pork carcass cutout value is nearing the $90 mark and the cash index cleared the $80 level, so it's no surprise we continue to see futures stay strong. Obviously the funds still have a lot to do with that but the bottom line is hog producers have plenty of incentive to ramp up production over the coming months, with some excellent returns being offered at current prices.

Cattle slaughter Wednesday 128,000 +6k wa +3k ya Hog slaughter 408,000 +2k wa -17k ya
Choice Cutouts: 167.62 -.41 Select Cutouts: 165.07 +.04
CME Feeder Index: 112.74 -.11 Lean Hog Index 80.03 +1.12 Pork cutout 88.41 +1.37

Calls this morning in the cattle complex are turning lower as the electronic trade has turned lower this morning. Most cash fed cattle guesses this week are starting to drift toward higher money and I wouldn't be surprised by it at this point, especially if the board stays strong. We do have a cattle on feed report tomorrow afternoon which is likely to give us a much larger placements figure than the past couple of months, but the actual on feed number will be yet another reminder of the smaller numbers of cattle in feedlots compared to last year. For the open on the board this morning, I will call live cattle 15 to 30 lower and feeders maybe 10 or 20 lower as the electronic trade has really started to slide.

Moving over to the grain markets, corn and beans finished higher Wednesday, although both had backed off quite a bit off from the big gains seen at times. I can't say there was a lot of news to drive the trade, but we saw soybeans move back over the $10 mark on some months and the corn market didn't seem to want to be completely left out. Kansas City wheat futures were a little more subdued, closing just a shade lower after some fairly wild trade so far this week. In the end, still no major fundamental reason for the grains to rally, but that doesn't always keep it from happening.

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

Well the soybean complex continues to play the role of leader, with beans and meal leading the charge again yesterday. Soybean futures moved through their 100-day moving average, bringing in another round of technical buying that took prices up over the $10 mark on the old crop contracts for much of the day. We are actually just about back to the pre-January report levels, despite the fact that fundamentals don't necessarily justify the move. Granted old crop demand remains very stout for beans, but at some point the South American crops are going to play a larger role in the global bean trade and likely start to limit our exports. Current ending stocks projections for this marketing year are historically a little tight, but we won't run out and there are plenty of beans in South America to fill any needs. With U.S. bean acres likely increasing this year over last, many carryout projections for the 10/11 marketing year are pushing the 500 million bushel mark, which is getting pretty heavy.

There has also been a lot of talk in the trade lately that the bean market has been fighting to hold on to acres that may have been going to corn thanks to the active start to the planting season. Keep in mind the new crop spreads have already moved in a big way back in favor of beans, so the market isn't offering the incentive to switch to corn. It is just a matter of the U.S. farmer preferring to grow corn and if the returns are close to being similar and the weather allows, he is going to plant corn in most cases. I still don't think we'll see a wholesale switch to corn because of the simple fact beans are still near the $10 mark, and in the end I still think we see larger acreage figures for corn and beans both than those on the March intentions report.

On to some news from this morning, with weekly export sales numbers released and they looked strong for corn but not much there for wheat or beans. Corn sales came in at 58.3 million bushels, easily beating the range of guesses from 32 to 44 million as South Korea remains a huge buyer. Bean sales were reported as 11.3 million bushels for old crop and 2.2 million new, below the guesses from 16 to 26 million. The bean numbers were a bit of a surprise as most were looking for a very small to even a negative number for old crop and a very large new crop number. China has been rolling old crop purchases forward to new crop, but apparently that won't show up until next week's report and they also apparently bought additional old crop beans last week. Hard to figure why new purchases would show up on the report the same week that we see news stories about old crop purchases being rolled forward, but I digress. Wheat sales were 6.1 million bushels old crop and 10.9 million new, with old crop business winding down as we near the last month of the marketing year. Expectations were for 11 to 18 million bushels of sales, so no big surprises in the wheat numbers this morning. In the end, the export numbers will be viewed as supportive corn and pretty neutral beans and wheat.

We also got a look at Census crush numbers for March this morning, with the soybean crush coming in at 156.14 million bushels, compared to 153.85 last month and 144.4 in March 2009. The number was a little higher than the average trade guess around 155 million, but the real surprise was the sharp drop in soymeal stocks. That number came down to 361,725 tons from 702,366 last month. The meal market has been on fire lately and this morning's number may be enough for a push up to the major resistance around the $305 to $310 level, which would be the highs from late last year.

That is about it for news this morning and calls will be a little tough after a quiet overnight session butting heads with weakening outside markets and the export and crush numbers out this morning. Weather looks to shut down fieldwork in much of the Midwest for a few days, but many will take the rain and parts of wheat country are getting yet another shot of moisture. Even with forecasts looking pretty wet, I don't think the market will try to add back much weather premium after we have seen this planting season off to a great start in most cases. Fundamentals are still on the negative side for the most part, so continue to use any major rallies as opportunities to play catch-up on sales, as the market is once again starting to offer some pretty decent returns for corn and beans. If you feel like you can pick the highs, go ahead, otherwise I would be looking to protect profits when given the chance. For the open this morning, I will call corn futures mixed to maybe 2 higher, beans 2 lower to 2 higher, and Kansas City wheat mixed to 2 lower.

Tim Strunk
Loewen and Associates, Inc.
866 341 6700