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Morning Ag Markets

The cattle complex was mostly lower Wednesday, as the buying interest failed to make a comeback after the big sell-off Tuesday. The feeder market led the losses, with the exception of the April contract, which expires today. With the latest cash index at \$113.21, spot April futures really couldn't give up much ground. With open interest falling notably during Tuesday's big sell-off, it looks like maybe the funds were starting to step aside a bit in the cattle markets. If that trend continues, it could spell some short term trouble for these markets, as it is no secret they were a big driver of current price levels. As we have seen many times before, if they start to lean too heavily one direction, it can cause some violent moves at times. They still hold a large amount of open interest, we'll just have to see how long they are prepared to stick with it. We did see some additional cash business in the North Wednesday, with the dressed Nebraska trade steady to \$1 lower from \$157-\$159, with most of the trade at \$157. The South was pretty quiet after we saw some fair numbers of cattle change hands at \$98 to \$98.50 on Tuesday, putting the bulk of the trade \$.50 to \$1 lower on the week as the sharp break on the board was enough to kick the cash fed cattle trade in gear. Obviously the lower money wasn't overly encouraging, especially after a friendly on feed report last Friday and Monday's corresponding higher futures trade, but the damage on the board Tuesday was enough to shake the bullishness in both the futures and cash markets, at least for now.

Cattle slaughter Wednesday 128,000 unch wa -1k ya Hog slaughter 410,000 +2k wa -3k ya
Choice Cutouts: 169.77 -.50 Select Cutouts: 167.46 +.10
CME Feeder Index: 113.21 -.01 Lean Hog Index 83.28 +.52 Pork cutout 89.13 -.70

Calls this morning in the cattle complex are just going to be steady to maybe a little higher with the overnight electronic session holding higher for the most part into the morning hours. The bulk of the cash business is probably just about wrapped up for the week, although I suppose we could see a little clean up trade. Not likely that we see any market moving news from the cash market however and futures will likely be searching elsewhere for news. I wouldn't look for any major moves on the front months, with April feeders going off the board today and April fats tomorrow. Both of those contracts are trading fairly close to cash, so there shouldn't be much activity there. For the open this morning, I will call feeders steady to 10 or 15 higher and fats maybe 10 to 20 better.

Moving over to the grain markets, the corn market stole the show Wednesday when it was confirmed that China did indeed buy some U.S. corn and the result was near double-digit gains on most corn contracts. The bean market was quite a bit more subdued, only finishing slightly higher for the most part after a choppy session. Kansas City wheat futures were just a shade lower at the close as a higher open wasn't able to hold as there just isn't much bullish news out there for wheat, as has been the case for a while.

Overnight electronic trade last night was higher with corn 2 to 3 higher, beans 1 ¾ to 3 higher, and Kansas City wheat 1 ¼ to 2 ½ higher.

Well as I mentioned earlier, the big story from yesterday was obviously the confirmed purchase of U.S. corn by the Chinese. The shipment off the Pacific Northwest for 115,000 MT of old crop corn was the first confirmed purchase, although the rumors have been swirling for weeks as Chinese domestic corn prices are high enough that the numbers work to import corn. The Chinese government has been trying to cool domestic prices by selling corn out of reserves the past several days, but it

wasn't really helping as Dalian corn futures prices had reached all time highs around the equivalent of \$7.20/bushel. Interesting to note those Chinese corn prices did fall yesterday with the announcement of just one very small purchase from the U.S., something the Chinese government wasn't able to accomplish by selling corn out of reserves. I doubt this story is anywhere close to being done, and I'm sure Chinese corn imports will come up again soon, as we all know how news about China can affect the markets.

On to some other news this morning, weekly export sales numbers looked similar to those of the past couple of weeks, with a very large corn number and smaller bean and wheat sales, at least for old crop. Corn sales came in at 48.3 million bushels for old crop, just over the top end of the range of guesses from 33 to 47 million bushels. Japan and South Korea were the major buyers this go-round, as has been the case for a while. Old crop bean sales came in at just 3.7 million bushels, but at least it was still a net positive number after China cancelled some old crop purchases and moved them to new crop. The new crop bean sales number was large, coming in at 25.4 million bushels, taking the combined old and new crop total for the week to just over 29 million bushels, within the range of guesses from 25 to 37 million. Wheat sales were pretty light once again as we move into the last month of the marketing year. Most of the business is now focused on new crop, with just 6.4 million bushels of old crop sales last week compared to 10.9 million bushels of new. The combined total was enough to barely beat estimates from 11 to 17 million bushels of sales. All in all, another supportive corn export figure while the bean and wheat data was mostly neutral.

Well the weather forecasts this week are starting to garner a bit more attention, between more storm systems along with cooler weather trying to grab some headlines. It looks like the bulk of the rainfall is centered up on the Southeast over the next 5 days, although some notable totals are expected in parts of the Midwest as well. Widespread soakings aren't in the forecast and we should still see planting and fieldwork advance around the rains. Seeing as how it is not even the first of May yet, the forecast for rain really probably isn't going to do much for a corn market that is dealing with well over half the crop in the ground already. Perhaps more importantly than rain, forecasters will be watching for hints of any potential frosts or freezes over the next couple of weeks, as that is the latest forecasting fad since the wet spring didn't pan out like many had predicted, at least up to this point.

As for the wheat markets, there really isn't much to say or much going on right now, with the new crop coming on strong thanks to abundant moisture and crop conditions looking the strongest we have seen in some time. The trade has been fairly quiet the past couple days in the wake of Monday's big drop. The fundamentals remain bearish but as has been the case for some time, the funds are already heavily short and that is perhaps the biggest supporting factor right now. There has been some talk this week about some potential cold weather causing some problems, but that doesn't look like it is going to pan out anytime soon. In the case of wheat, you all know the fundamentals by now, but the big short fund positions still leave us prone to some big swings in either direction without much notice.

That is about it for news this morning, with the outside markets adding a touch of support overnight, leading us to the slightly higher grain trade. Weekly export sales data didn't hold any major surprises, although it was also announced this morning that China bought another 120,000 MT of old crop beans from the U.S. Now the questions will start about whether or not this is truly an old crop purchase or if it is another reporting mistake that will eventually be rolled to a new crop deal. Hard to say at this point, but I would bet it ends up in the new crop column before it's all said and done, as we have seen this a couple times already recently. Calls will be a little better this morning following the overnight action, outside markets, and export news. For now, I will call corn futures 2-4 better, beans 3 to 5 higher, and Kansas City wheat maybe 1 to 3 better.

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