



## **Loewen and Associates**

*Commodity Brokerage/Consulting*

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## **Morning Ag Markets**

**Pete Loewen**

We saw quite the trading day for the April Live Cattle contract on Friday heading into expiration. With cash wrapped up much earlier in the week and nearly all of it at lower money ranging from \$98-\$98.50 in the Southern Plains, it would have made sense for that contract to go off the board from about \$98-\$99. However, cattle stayed on the plus side all day with April actually leading the gains and it expired all the way up at \$99.92. That's a pretty good feat considering the lower trending cash market.

Product trade finished the week on a positive note, just like the futures. Choice quotes were over \$170 on Monday and Tuesday before dropping back into the \$169 range midweek through Wednesday and Thursday and then it tip-toed back up over \$170 on the Friday afternoon report. You would think with the strong expiration of that April contract and with peak seasonal beef demand and with choice quotes back over \$170 that cattle feeders might be able to squeak out a higher round of cash this week and reverse the lower trend. It all sounds easy, but we're also facing a June futures contract as the spot month now that is sitting at a steep discount to where April expired. For the time being, that will be the hurdle that has the biggest chance of getting in the way of rally potential.

Feeder cattle and calf trade throughout last week ranged higher across nearly all classes and locations. One of the leading drivers in the advance was the positive psychology created by the previous Friday's bullish placement figures in the On Feed report. Granted, Tuesday's massive washout in futures should have put a huge negative bias on that trade, but that washout was created more by a sinking of the DOW quotes that day than anything. Wednesday, Thursday and Friday were spent trying to claw prices back up higher from that break.

Cattle slg.\_\_\_wtd 660,000 +19k wa -6k ya

Choice Cutout\_170.21 +.25

Select Cutout\_167.08 -.06

Feeder Index:\_\_\_113.53 +.09

Lean Index.\_\_\_ 84.82 -.67

Pork cutout\_\_89.96 -.24

IA-S.MN direct avg\_\_82.57 -.16

Hog slg.\_\_\_\_ wtd 2.028 mln -45k wa -18k ya

Weekly closes in the livestock markets had the April Live Cattle up 70 cents, June down 60, May Feeders up 22 and August Feeders up 50. May Hogs finished the week up 2.12.

Opening calls this morning are 10-40 better in the hogs and just mixed in the cattle complex. From a technical standpoint in cattle futures, Tuesday's HUGE outside day bearish reversal looked ugly on the daily charts, but with futures climbing steadily into Friday the weekly charts didn't look nearly as nasty in the end. The fact that April live cattle closed higher for the week still and most of the feeder contracts finishing higher as well breathes a little friendlier potential into the mix this week. Or, if nothing else it makes the bearishness look a bit less severe.

In the grain trade, Friday housed solid closes across the board and the highlight of the week was China. Actually, there were several highlights for the week. It was fun watching Goldman Sachs getting grilled about their wrong-doing. China of course bought 115,000 mt's of US corn. The Greece debt problems were near center stage, as was the BP oil spill as well. So, we had big news issues affecting corn, crude, the DOW and all the financial markets and it added a lot of volatility to the mix. Interestingly enough, the weekly closes were not far off unchanged in wheat and beans. The corn weekly close was up good and obviously the China news was an overriding factor gathering more attention than a near record planting pace in the Corn Belt. A lot of traders thought there would be a considerable number of deliveries in the grains after first notice day on the May contracts, but there really weren't, which caught many by surprise.

Weekly closes in the grains had Dec Corn up 14 cents, Nov Beans were down 3 ¼ and July KC Wheat was down 1 ¾.

Overnight E-CBT trade was\_\_ mostly lower in beans and higher in corn and wheat. KC Wheat finished +1 ½ to +3 ¾, Chicago +1 ¼ to +3 ¼, corn +3/4 to +1 ¾ and soybeans -1 to -5.

With 50% of the nation's corn crop planted in last Monday's report, this afternoon's numbers will be closely watched. The benchmark record was 2004 at 63%, so that is the target to beat for the numbers. We also get the first bean progress numbers of the year today as well. Expectations there are for a range of 10%-15% complete.

On the topic of corn and bean plantings, a lot of the big talk surrounds how well corn is going in the ground and therefore the potential for corn to gather a few more acres from soybeans. However, with 60 bushel beans being compared to 200 bushel corn, the beans have nearly a \$100 per acre net revenue advantage at last week's close in futures between new crop beans and corn. So, there is still plenty of incentive to stay with previous intentions and not plant more corn than expected. Of course, we're still looking for larger June final numbers in both crops, so in the end it shouldn't matter much as there are plenty of available acres to go around.

Calls this morning are mixed in beans and 1-3 higher in corn and wheat.

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