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Morning Ag Markets

The cattle complex kicked off the week with some nice gains, led by the live market which saw some aggressive buying to start the new week and month. We did see the equity markets post some decent gains Monday but other than that, there wasn't much going on to help drive the triple digit gains enjoyed by several live cattle contracts. We did see a few thousand head of cattle trade in Kansas Monday at the \$98 mark, steady with the lower end of last week's trade. I would imagine that was most likely due to a basis trade on some hedged cattle, but it still wasn't overly encouraging to see cattle trading at steady money on a Monday already, especially with the higher start on the board. Clearly the market wasn't fazed much by the early-week cash trade, so we'll have to wait and see how things pan out when the bulk of the business gets underway later this week. Kansas had the only reported business on Monday, with a few dressed sales coming in at \$157, a dollar lower on the week.

The feeder market actually opened on the weaker side Monday before the live market was able to save the day, pulling feeders around a dollar off their lows by the close. The cash feeder trade to start the week was just steady for the most part in both Joplin and Oklahoma City, so not much there to drive the trade.

Cattle slaughter Monday 121,000 -4k week ago -6k year ago
Choice Cutouts: 170.45 +.24 Select Cutouts: 167.50 +.42
CME Feeder Index: 113.28 -.25 Lean Hog Index 85.14 +.32
Pork carcass cutout value 90.45 +.49
Hog slaughter Monday 399,000 -9k week ago +2k year ago

Calls this morning in the cattle complex are looking a little weaker as the electronic session was backing off a bit into the morning hours after some higher trade early. Most of the blame probably goes to the outside markets, with the equities and crude oil looking weak while the U.S. dollar is stronger again after a nice advance yesterday. Traders will be watching closely with many live contracts sitting at or very near contract highs, as it may be tough to keep pushing higher at this point without help from the cash market news or outside markets. Steady cash trade already underway in Kansas this early in the week may not bode well for the rest of this week's cash business, but a lot depends on board action between now and then as well. As of right now I don't think you can expect much better than steady money on the rest of the cash trade, unless we do see the live market make another push firmly into new contract highs. For the open this morning, I will call live cattle 15 to 25 lower and feeders maybe 5 to 15 weaker.

Moving over to the grain markets, we saw some halfway surprising weakness Monday, with slight overnight gains Sunday giving way to a lower than expected open and we just drifted lower throughout the session. Some notable strength in the U.S. dollar added pressure, as did expectations for big numbers on Monday afternoon's planting progress report. Other than that, the markets will be waiting to see what, if any, additional news comes out of China this week, as that was the whole key to the newfound bullish attitudes from many last week, especially in corn.

Overnight electronic trade last night was a little weaker with corn ½ to 3 lower, beans 1 ¼ to 2 ¾ lower, and Kansas City wheat steady to 2 lower.

Well after a mostly higher overnight session Sunday and last week's friendly developments mostly related to the Chinese corn purchase, most seemed to think we were going to start off this week on a positive note. However, a stronger U.S. dollar and absence of big buyers to start the new month allowed the grains to open a little weaker than expected and the buyers just never showed up. Other than continued talk about the Chinese, about the only other noise out there to start the week was the talk about the active planting pace so far this spring, which we got further evidence of on Monday afternoon's Crop Progress report.

The USDA told us 68% of the nation's corn crop was in the ground, up from 50% last week and 32% ahead of last year at this time. That is also 28% ahead of the 5-year average and 5% better than the all-time record set in 2004 for this date. That 68% was pretty much right in line with what most were expecting, so no big surprise there for the market. 19% of the corn crop was reported emerged yesterday, up 12% from last week, 15% from a year ago, and 10% ahead of the five year average. In addition to the corn numbers, we also got our first look at soybean planting progress, with 15% of that crop reported in the ground. That is 10% ahead of last year and 7% ahead of average as farmers are getting an early jump on beans too. Some of the heavy rains over the weekend will slow fieldwork in some areas and also create the need for some replant, but the heavy totals missed the big producing regions for the most part and fieldwork should continue to advance favorably. There is some cooler weather in the forecast later this week and next week that is starting to get some attention due to the late freeze potential, but it is too far out to accurately predict for now.

Wheat conditions didn't show much change on yesterday's report, dropping 1 point to 68% good to excellent overall and gaining one point in the poor to very poor ratings, although only 6% of the crop falls in those two categories. Kansas saw the most notable drop, coming down 3% in the good to excellent side, but still at 70%. Oklahoma and Texas both dropped a point as well, but the declines aren't near enough to even raise an eyebrow at this point as the crop is still developing favorably for the most part.

Well with no fresh news on Chinese corn purchases, record planting progress reported Monday afternoon, and weaker outside markets, it was no surprise to see the overnight trade leak a little lower. The funds didn't come after the grain markets Monday to start the new month, much to the chagrin of those expecting an influx of new money. There isn't much in the way of supportive news this morning either and without that fresh flow of news it will be tough to keep pushing higher with the growing season off to a good start in most locations. Obviously there are some problem areas, namely the flooding in the Tennessee region, but as a whole things are progressing nicely. We are establishing some trading ranges on just about everything and it may take some major news to push us outside of the recent highs and lows for the time being. There was a notable shift to the bullish camp for many last week, brought on mostly by the China corn news, but I would caution you to keep from getting too caught up in the rhetoric and keep your eyes on the big picture instead of playing the what-if game. Run your numbers and get as close as you can to your cost of production, and then make your marketing decisions based on profit, not on market predictions.

Calls this morning are going to be a little lower after the overnight action and outside markets that aren't doing any favors. News is pretty light after the planting progress numbers were about as expected and there is nothing new coming out of China to give the bulls a fresh shot of confidence. Weather forecasts still don't look to provide any major stories either at this point, so nothing there for the bull either. For the open, I will call corn futures 2 to 3 lower, beans 2 to 4 lower, and Kansas City wheat 1 to 3 lower, with the potential for things to look even worse if the outside markets continue to weaken significantly.

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