



## **Loewen and Associates**

*Commodity Brokerage/Consulting*

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## **Morning Ag Markets**

**Pete Loewen**

In the livestock trade, feeder cattle prices took another hit on Friday, but the live market was still anchored under the support of \$100 cash from north to south earlier in the week and a product market that shows no signs of weakening. Until that cash market starts to break, futures have very little downside risk. It isn't very often that we get to enjoy a higher trending cash feedlot trade in the month of May, but that's exactly how it started. We also started with a pretty decent size discount in the June futures contract and the futures were forced to chase cash higher last week as traders tried to narrow the gap. Usually we see anywhere from a \$1.00-\$3.00 positive basis in the month of May, but this one started out in the \$4.00-\$5.00 range. On one side of the coin, that is a very good basis for hedgers. The other side of that coin though is that any hedged cattle have passed up quite a bit of profit potential along the way due to the upward trending market.

Feeder cattle and calf market values held up to a nice week of gains with the National Summary citing steady to \$2.00 higher on the heavier end and \$2.00+ higher on calf prices in most parts of the country last week. With overall pasture conditions in the US the best they have been reported in the last 15 years, we certainly had the right conditions for big gains in price this spring. Lighter available numbers and great conditions meant more prospective buyers bidding on a limited pool of animals, so it's no wonder there were very few weekly setbacks in light weight calves since the first of the year. The fact the feeder market has remained in good shape and deep deferred fats have been well supported added fuel to the bullish fire as well.

Cattle slg. \_\_\_ wtd 673,000 +13k wa +18k ya

Choice Cutout\_171.04 +.35

Select Cutout\_168.20 +.07

Feeder Index: \_\_\_112.96 +.04

Lean Index. \_\_\_ 87.95 +.94

Pork cutout\_\_89.45 -.65

IA-S.MN direct avg\_\_85.16 -.04

Hog slg. \_\_\_ wtd 1.992 mln -36k wa -24k ya

Weekly closes in the livestock markets had June Live Cattle up 1.67, August up 67, May Feeders down 37 cents and August down 1.20, May Hogs were down 1.02 and June was down 80.

Opening calls this morning are 10-25 higher in cattle and 10-25 lower in hogs. One of the biggest threats to both the beef and pork markets is the unrest in EU and the world financial markets. You have to remember that beef exports are up sharply so far this year, but commodity and index fund long open interest is huge in both markets as well. If the world economy slips back into a tailspin it could threaten export trade and it could definitely threaten the resolve of long speculative and investment money. That sets the livestock markets on very precarious ground. Not to say it means we're going to see a washout, but if funds decided to hit the door all at once the bottleneck **could be** ugly.

In spite of the fact there were some incredibly bearish weekly closes in some of the outside markets like crude oil and the DOW, grains held it together fairly well considering what "could" have happened. Beans caught active selling on Thursday, but managed to recoup a moderate portion of the losses on Friday. Their weekly close still looked a little ugly. The corn and wheat closes weren't too bad.

Grain weekly closes had July KC wheat up 6 1/4, December corn down 6 1/4 and November beans down 41 1/2 cents.

Overnight E-CBT trade was\_\_ higher with KC Wheat finishing +1 1/4 to +3 1/2, Chicago +1 3/4 to +2 1/2, corn +4 1/2 to +6 and soybeans +4 1/2 to +8 3/4.

So the highlights of what might be driving the grains today and through the early part of the week are interesting to say the least. Like I indicated earlier, it appeared that corn and wheat were able to ward off the outside influences of the world economic turmoil, higher dollar and weaker crude oil markets very well. However, this morning after looking at the overnight action it appears that the influences towards a higher early start are coming directly **from** those same outside markets! DOW futures are up sharply, crude is up strong and the dollar is very weak this morning, all contrary to last week's closes. What is providing the boost is the IMF and EU reaching a deal to help Greece through the crisis. *I like to refer to this as throwing BAD money at REALLY BAD money.* Kinda like the US did in all of our bailouts last year... I guess my opinion would be that it is sometimes alright to let a ship that's full of holes- go ahead and sink. Instead we have countries that are already or near defunct, giving money to a country that is beyond defunct. In the end, it might make them all defunct, so where did that help at all??

Back off the soapbox, 6-10's were showing above normal temps with normal precip. The cold over the weekend reportedly showed no damage to any wheat anywhere. What we are starting to hear are increasing reports of dryness across a lot of the HRW wheat country. Maybe some of this week's rains can cure part of that problem. Unfortunately, the west and southwest part of the Plains misses most of it over the next 48 hours.

The commitment of traders report showed managed money switching from a net short position in corn the week prior to a pretty big long position last week. Soybean long open interest from the same group was trimmed slightly, but is still large. Wheat has held a net short position for a LONG time now and about a third of those positions were liquidated last week, so the net short was still listed at 15,687 contracts.

In the middle of all this outside market turmoil we get a fresh new set of stocks numbers in tomorrow morning's USDA monthly S&D report. I "believe" this is the first set of wheat

production numbers we'll get this year too. We also had Informa out on Friday with planted acreage guesses. They raised their latest estimates 800,000 acres in corn and 400,000 in beans. Even though we think both will be coming up even larger than those figures, at least they are headed in the right direction.

Calls this morning are 5-9 better in beans and 2-5 higher in corn and wheat. None of the calls are based on fundamental action, it's all outside market driven- which I find ironic! How could outside markets NOT influence grains much last week, but they are this morning???

Go figure.

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