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Morning Ag Markets

Pete Loewen

Livestock trade was moderately lower in hogs and mixed in cattle at the close after moderate to active selling filled the screen early on. There was still a limited amount of trading in the cash cattle arena at steady values with last week and most of it has gone on only in Kansas so far. They traded cattle on both Monday and Tuesday. \$100 live and \$160 dressed have been the quotes so far. With packers making a lot of money at current levels, it appears the negotiating leverage has shifted slightly in favor of higher cash potential in this round. The seasonal certainly isn't in favor of it and discounted June futures aren't in favor of it either. However, cattle feeders know full well that numbers are tight and packer margins are solidly in the black, so they should be ready and willing to pay up for inventory. Barring some unforeseen washout in futures, I think we'll see packers moving closer to feedlot asking prices this week and not the other way around.

Cattle slg. ___129,000 -1k wa +2k ya

Choice Cutout_171.40 +.30

Select Cutout_166.91 -.26

Feeder Index:___112.89 -.05

Lean Index.___88.71 +.28

Pork cutout___90.71 +.86

IA-S.MN direct avg__86.01 +2.12

Hog slg.___395,000 -7k wa -18k ya

Calls this morning in the meat complex are unevenly mixed across the board. The hog market futures have been acting like they want to move lower and at times the fund selling has been moderately active, but cash and product trade both have held it together at steady money for the last two weeks. Both have seen some very choppy trade, but as an example, pork cutouts came into the month at \$90.45 and they were at \$90.71 last night. Iowa-S. Mn cash came in at \$86.11 and was \$86.01 on the average yesterday. On the flipside of that, futures are about \$1.60 lower in the June than where they closed on the first day of the month. May futures are \$2.00 lower.

In the grains, Tuesday's May crop report was really a mixed bag of numbers, housing a little fodder for both the bulls and the bears alike. In the end though it didn't really matter what the

report said as corn and soybean traders both decided buying was more fun than selling. The surprises of the day were lower than expected old crop corn ending stocks and higher than expected new crop soybean ending stocks. As always, wheat was bearish any way you sliced it. It's just a matter of whether it gets more bearish with each report, or maybe just slightly less bearish, but it's still impossible to cite a bullish fundamental case period.

Overnight E-CBT trade was__ mostly higher led by corn that finished anywhere from +2 ¾ to +7 ½. Soybeans finished the overnight -1/4 to +4 ½, Chicago wheat -1/4 to +5 ¾ and KC Wheat unchanged to +5.

Alright, the big news of the day is a bullish one for corn, as China rumors appear to be rumors no more. Reuters reported late yesterday that China's COFCO had purchased as many as 6 cargoes of corn from the US for shipment June through Sep of this year. The total volume behind the deal would equate to somewhere in the vicinity of 300,000-330,000 mt's of total product. The "twist" to this story though is that I still can't find a USDA confirmation of the purchase, but instead this appears to be a story that originated from a Reuters news clerk speaking with a COFCO representative about the transaction. Nevertheless, it appears at the moment like it is legitimate and it certainly spilled over into some BIG volume in the overnight corn trade and some moderate gains on the front end May and July contracts.

Corn futures are now flirting with turning more friendly in the technicals, which stands to extend the gains and hopefully give us a shot at putting a "4" in front of the December contract again. The last time we saw that was in March on the way down. The resistance to the corn upward movement will be active farmer selling as futures prices move incrementally higher. With the great Corn Belt soil moisture profile and an obviously active planting pace, farmers as a whole are very optimistic to yield potential and therefore there will be a lot of standing orders in to sell, particularly around that psychological \$4.00 mark.

This China news is definitely friendly, but we still don't think it should give anyone a valid reason to be wildly bullish to corn futures from here forward. When the June final plantings figures come out we're going to find possibly 1 mln + additional corn acres planted than the March intentions and the chance for that many additional soybean acres as well. Increased acreage plus the added yield potential that early planting dates and adequate moisture provide are not wildly bullish factors for corn or beans. Plus, it is WAY too early to start talking about summer weather potential. Forecasters can't even hit a 6-10 with any degree of accuracy so why would you think some commodity analyst that you hear on the radio calling for dry weather in July or August knows beans from applesauce either??

The short term trend of these grains "feels" like it's going to be up and the China news is adding friendly fuel to that potential as well. Hopefully this will give us an opportunity to get some more pricing done at higher levels. It would certainly feel good selling corn with a "4" in front of it again, so let's hope it gets there and maybe even higher. Don't pass it up on a little bit if it happens!

I'm calling corn 4-8 better, beans 3-5 higher and wheat unchanged to 4 higher.

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