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Commodity Brokerage/Consulting

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Morning Ag Markets

The cattle complex was lower yet again Monday, unable to find much support from what was called a pretty much neutral cattle on feed report Friday afternoon. Friday's Cold Storage report, which was deemed a little friendly for all the livestock markets, didn't seem to have much effect either. The live market tried to climb higher at times Monday with the front months seeing some higher trade, but by the close they were back lower and the losses in feeders reached triple digits for most months throughout the session. The outside markets were a little more subdued most of the day, with the equity markets fairly quiet, at least during the CME pit trading hours. The U.S. dollar was up sharply again on the day and if that trend continues it may begin to hamper exports somewhat, but I don't think you can pin Monday's losses on that. I suppose it was just more carryover from the lower trade the past couple of weeks and not much news to jump start any buying. With no surprises in the on feed report and no help from the outside markets, we weren't able to generate much buying interest in the cattle and were left to sell off again.

The cash feeder trade took a hit Monday as well, with Joplin called anywhere from \$1 to \$5 lower while Oklahoma City was \$1 to \$3 lower on the feeders and \$1 to \$4 lower on the calves. The soon to expire May feeder contract, which goes off Thursday, is actually trading at about a \$3 to \$4 discount to the average seen in Oklahoma City Monday, an ugly situation for hedged producers. We will more than likely see the CME cash index come down further into expiration Thursday, as it is still \$2 over futures and the cash feeder trend is definitely still weakening, right alongside the board.

Cattle slaughter Monday	130,000	unch	week ago	Mem Day	year ago
Choice Cutouts:	167.00	-.20		Select Cutouts:	161.06 unch
CME Feeder Index:	110.06	-.97		Lean Hog Index	86.38 -.49
Pork carcass cutout value	87.53	unch			
Hog slaughter Monday	346,000	-44k	week ago	Mem Day	year ago

Well I wish I had better news, but calls once again this morning in the cattle complex are lower to sharply lower, with the overnight electronic trade under some pretty severe pressure. It is the usual suspects driving the trade, as we have seen the DOW down over 200 points this morning, crude oil down close to \$3, and the U.S. dollar rallying more than a full point. Assuming that all stays the same into the pit open this morning, cattle futures are poised to take it on the chin, again, as both live and feeder cattle were down over a dollar on most contracts in the electronic trade. The falling board obviously does not bode well for the cash trade this week either, although at this point I would be scared to guess where it may take place this week. For the open on the board this morning, I will call both live and feeder cattle at least a dollar lower and probably worse, unless we see some sort of a miraculous turnaround in the outside markets prior to the open.

Moving over to the grain markets, another sharp jump in the U.S. dollar didn't have much impact on the trade Monday, with corn and beans trying to move higher on the day. There wasn't much news to start the week but everyone was trying to turn friendly after the grains held in there so well in the face of the outside market turmoil last week. Weather remains a mostly negative influence, but we were able to hold higher for the most part in corn and beans Monday. Kansas City wheat futures didn't do much on the day before slipping a bit into the close to finish mildly lower.

Overnight electronic trade last night was lower with corn 5 ½ to 6 ¼ lower, beans 10 ¼ to 12 ½ lower, and Kansas City wheat 5 to 6 lower.

Well we could sit here and talk about fundamentals and other news, but in reality the grain trade just isn't able to ignore what is going on in the outside markets. New concerns over the European debt crisis as well as increasing tensions between North and South Korea have money leaving many markets as fast as it can as investors look for safety. The U.S. dollar is surging again this morning while the Euro is at a 4 year low vs. the dollar and hit an 8 ½ year low against the Yen. In just the month of May the Euro has lost 7% vs. the dollar. There just isn't any good news in any of the world markets this morning, and the problems are severe enough to trump any fundamental thoughts in the grains for now. The grains have done a fairly good job lately holding up in the face of these outside market moves, with maybe the exception of beans, but don't think they will hold out forever. No one knows how deep these moves in the outsides will go and if it becomes bad enough, the grains will eventually give it up as well. There is still a pile of outside money in our grain markets and if it all starts looking for the exit, things could get a lot worse in a hurry, fundamentals aside.

Monday afternoon's Crop Progress report had corn planting at 93% complete, up 6% from the week before, 13% ahead of last year, and still 4 points ahead of the 5 year average. Corn emergence was at 71%, up from 55% last week and just 50% at this time last year. The 5 year average for this date is 62%. We saw some decent bean planting progress as well, despite some continued wet weather scattered around last week. Bean planting is now 53% complete, up from 38% last week and ahead of the 44% at this time last year. However, we are actually 4 points behind the 5 year average, despite the fast start. We should have a chance to catch up this week, as the warm weather has taken hold for a few days. That warmer weather should also give a good boost to the corn crop, which was rated 71% good to excellent, up from 67% last week and back on track with the 70% average for this time of year.

Winter wheat conditions didn't change much on yesterday's report, with 1% dropping down into the poor category from fair-otherwise everything was the same overall. Kansas actually came up 1 point to 64% good to excellent while Oklahoma and Texas also made 1 point jumps. Normally by this time of year we would start to see conditions go backwards in the Southern Plains with the onset of harvest, but that has not been the case. They are definitely on track for their best crop in several years as we enter into the home stretch of this growing season for most. One other crop progress note for wheat-the first condition ratings of the year for the spring wheat crop showed 85% rated good to excellent-a pretty solid start.

Other news this morning is relatively light and will take a back seat to the outside market action anyway. China is set to auction off another 1.58 MMT of corn out of their reserves today in another attempt to cool prices. It will be interesting to see what kind of money that auction brings after reports indicate up to 1 MMT of U.S. corn has been booked for import. So far the state auctions and import announcements have not done much to cool their domestic prices, so it will be interesting to see if this larger auction does anything to slow them down.

Well keep an eye on the outside markets leading up to 9:30 if you want to fine-tune opening calls, as those outsides appear to be in control this morning. Any sort of a turnaround in those outside markets could trigger some buying in the grains as well, but that is going to take some serious work the way things look right now. For the open this morning, I will call corn futures 4 to 6 lower, beans 9 to 12 lower, and Kansas City wheat 5 to 8 lower.

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