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Date: 05.26.10

Morning Ag Markets

Pete Loewen

It was déjà vu all over again for the ag commodities with the outside markets dominating the day and spilling over hard into the rest of the markets.   The DOW was getting pounded on most of the day, crude down hard and the dollar up very strongly. It wasn't as harsh on the grain markets as it was on livestock, but there was a solid lineup of red ink across everybody's quote screens nonetheless.   The pressure on cattle prompted some early feedlot sales that were $3.50-$4.50 lower than last week on a live basis in Kansas and that's painful any way you slice it! Nebraska and Colorado followed suit with $94 live trade and some $93 reported in Nebraska as well. That makes $6.00-$7.00 now in the just the last two weeks that cash feedlot trade has dropped.

Even with the sharp drop in cash, this downfall is still leading to favorable results for basis traders.   Any hedged cattle that are sold even in the down market have resulted in a $3.00-$4.00 positive basis, whereas a normal seasonal basis level for this time of year would be anywhere from $1.00 to maybe an outside chance at $3.00. It's the unhedged cattle that are feeling the squeeze right now. Fortunately, the sharply discounted spot board and deferred futures will continue to encourage timely marketings which will keep both weights and currentness very manageable.

The product trade has been much slower on the follow than the cash market obviously as emphasized by the fact we've had a $1.00-$1.10 drop in choice quotes in the last 5 days compared to this huge fallout in cash and moderately large in futures.   For that reason, I think it's also possible that this cash trade that continues to develop this week may have a shot at slightly higher money than what was posted yesterday, but it's going to take a more stable futures trade to get that accomplished.   The fact some of these outside markets started to stabilize better after the ag markets closed is going to help that situation as well.

Cattle slg.___130,000 unch wa unch ya

Choice Cutout_166.82 -.18

Select Cutout_160.72 -.34

Feeder Index:___109.38 -.68

Lean Index.__ 85.60 +.22   Pork cutout__87.55 +.02

IA-S.MN direct avg__78.29 -.76

Hog slg.___394,000 -5k wa -39k ya

In the grain markets, soybeans felt the most pressure during the trade and it pushed the new crop November contract down against the low, low $9.00 mark, but couldn't get through it. $9.01 was the low pit quote and $9.00 even was the low in the electronic trade, so thankfully we didn't see that psychologically bearish "8" put on the handle in front of price. Not unlike the livestock, the fact that outside equity markets, the dollar and crude were moderating well off their lows by the close helped keep the losses in check and it's also supporting higher calls after a higher overnight session this morning.

Overnight E-CBT trade was__ higher with KC Wheat +4 ½ to +6, Chicago +4 ¼ to +6 ¼, corn +2 ¾ to +5 ½ and soybeans +5 ½ to +7 ½.

The push/pull to the fall crop markets is the battle between rising supply potential and rising demand potential as well. There continues to be rumors of more Chinese corn demand around the corner and also more potential switching of soybean sales from S.A. to the US. The flipside of this rumor mill is the normal to above normal temperature forecast in the 6-10s and normal to above precip totals as well. Heat and scattered showers are just what the doctor ordered for good crop development right now, so like I said, supply is growing right alongside this demand talk…

I hate to be so short on grain comments, but there are really just three drivers in this market right now that are worthy of discussion and it feels like beating a dead horse every time we talk about them. China's corn and bean demand are positive influences on the market. Outside market volatility has a very strong influence and this morning, that influence is positive to grains. Weather is a big negative because it is increasing production potential in everything. There you have it!

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