



## ***Loewen and Associates***

***Commodity Brokerage/Consulting***

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### **Morning Ag Markets**

The cattle complex closed out the week with more losses Friday, with live cattle futures seeing the heaviest selling pressure and finishing down triple digits on most contracts. There wasn't any additional cash fed cattle trade to report Friday, as that business had been wrapped up earlier in the week and packers didn't need to be overly aggressive headed into a shortened kill week this week with the Holiday yesterday. In the end \$94 caught the Texas trade while Kansas slipped to mostly \$93 or \$93.50 on the live sales; with the overall trend \$3 to \$3.50 lower on the week. That still leaves us with about a \$3 positive basis, so it is likely going to take some strength on the board this week to push cash any higher. At this point I would probably stick with a little lower bias, unless some sort of big development helps the outside markets turn around and cattle futures follow suit. We'll have to wait and see what the weekend meat clearance looks like, but cutouts have been slipping for several days and that is limiting the ability of packers to pay up for cattle as well. We have said all along that demand was the key to sustaining those higher prices long-term, and unfortunately it doesn't look like we were quite ready for that. Throw in the major economic turmoil and uncertainty that has surfaced around the globe the past few weeks and cattle futures had no choice but to pull back. We have seen the funds running for the exits, with open interest down over 20,000 contracts during the past week as the outside markets continue to provide a negative influence and the liquidation continues.

Cattle slaughter Friday 130,000 unch week ago +1k year ago  
Choice Cutouts: 164.03 -.80 Select Cutouts: 156.07 -1.45  
CME Feeder Index: 108.41 -.74 Lean Hog Index 82.93 -.89  
Pork carcass cutout value 86.85 -1.10  
Hog slaughter Friday 389,000 +1k week ago -31k year ago

Calls this morning in the cattle complex were set to be lower once again as the outside markets were looking pretty rough, but they have started to come back around somewhat. In turn, the electronic cattle trade has tried to recover somewhat as well after being lower overnight into this morning. If those outsides continue to rebound, we could see a decent rebound in cattle as well, as it is long overdue. For the open, I will call live cattle 15 lower to maybe 10 higher and feeders still 20 to 40 lower with all eyes on the outside market action leading into the pit open this morning.

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Moving over to the grain markets, we closed out the week on a bit of a rough note Friday, with corn futures erasing their chance at a higher weekly close thanks to the double-digit sell-off. Soybeans and wheat followed suit as well as the outside markets provided some pressure and there just wasn't anything there to provide support heading into the long weekend as the weather outlook remains mostly favorable and there wasn't anything else to help stem the losses.

For the week last week, December corn was 5 ¼ cents lower, November beans ¼ penny higher, and July KC wheat 13 ½ cents lower.

Overnight electronic trade last night was lower with corn 4 to 5 lower, beans 5 ¾ to 7 lower, and Kansas City wheat 4 ¼ to 5 lower.

Well here we are at the start of a new week and yet things appear to look about the same with regards to these markets. The outside markets were negative from the get-go last night and that led to the

lower overnight grain trade. There wasn't any news to provide support overnight and we were just left to add to last Friday's losses.

Coming back from a 3-day weekend usually leaves plenty for these markets to digest, but there really isn't an abundance of news this morning. The weather picture looks pretty favorable over the next couple of weeks, with seasonal temperatures for the most part mixed in with frequent showers and thunderstorms. The drier areas in a few isolated parts of the Midwest that were just starting to get some attention received a little rain over the weekend but more looks to be on the way over the next week to 10 days. The wetter and cooler outlook than was suggested last week likely helped add to a bit of the selling pressure last night, as a week of good weather puts us into at least mid to late June before any potential problems could start to develop.

There is some hotter and drier weather slated for the Southern Plains, which will help with wheat harvest but not be as helpful to the fall crops. With the recent warmer weather the wheat is turning fast and it won't be long and the combines will be rolling in Southern portions of Kansas. Plenty of moisture in a good portion of the state should allow this crop to reach maturity under mostly favorable conditions, with some of the more recent crop estimates getting a little larger than we saw earlier in the year. Basis is still the wildcard as harvest gets into full swing, as we are already at historically wide levels and believe it or not, it could still get worse. A lot will depend on just how big the crop ends up being, but don't be surprised if you see some shocking numbers posted at your local elevator. Furthermore, don't think that it is just the elevator trying to steal your grain—there is a reason basis is that wide. The futures market just does not accurately reflect the true cash value of wheat right now due to mostly the index fund involvement in the market. Those long-only funds have kept prices propped up higher than the fundamentals justify, which is painfully obvious by the wide basis and lack of export demand at even these lower price levels. I would encourage you all to be evaluating your storage capabilities and possibilities at harvest and at least try to position yourself to take advantage of the large amount of carry in the wheat market right now, as that is about the only guaranteed money out there. If you don't understand carry or how it works or how to use it, give us a call or better yet, make plans to attend one of our upcoming free workshops in Wichita, Great Bend, Concordia, or Seneca. Give me a call for more information and to reserve your spot.

Well I suppose I have to mention China, as that is all anyone wants to talk about these days with regards to the corn market. China did sell more corn at their State Run auction this week and prices have finally started to cool down a bit. On sales of nearly 1 MMT, prices fell 2.6% from last week's levels. On \$4 corn, that would be a little more than 10 cents a bushel. They did sell about 94% of their allotment, so the demand is obviously still there. China talk will continue to exert a heavy influence on our corn market, as speculation continues over just how much they will buy. The first shipment of U.S. corn is also headed their direction right now, slated to arrive early next week. If it passes inspection easily and quickly, that could open the door to more purchases, as there is still some uncertainty over how our GMO corn will be received. For now there isn't much fresh supportive China news, so that shouldn't influence us much at the open this morning.

Well that is about it for news this morning, with the outside markets and weather forecasts providing most of the selling pressure overnight. Crude oil has rebounded off its lows quite a bit and the dollar has backed off somewhat, so that could help temper the grain losses a bit at the open. Calls will still be lower to start and from there it is about anyone's guess. I would imagine the trade stays pretty choppy, as we are still within the long held trading ranges, albeit toward the bottom for beans and wheat. For the open, I will call corn futures 2 to 4 lower, beans 4 to 7 lower, and Kansas City wheat 2 to 5 lower.

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