



Loewen and Associates

Commodity Brokerage/Consulting

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Morning Ag Markets

The cattle complex showed a little life on Wednesday, led by live cattle futures that finished with triple digit gains thanks mostly to the development of some cash fed cattle trade at a little bit better money on the week. The ball got rolling in Kansas with some \$94 live trade, \$.50 to a \$1 better than last week. Nebraska was also seeing some \$94 trade, although that was pretty much just steady with last week. There were also a few \$94 sales reported in Texas, which would be steady with last week as well. Trading wasn't extremely heavy so there should be some additional business to come this week, but feedlots may now have a little more optimism thanks to the rebound on the board and the apparent willingness of packers to be a little more aggressive in coming after cattle this week. With \$94 cash and futures below \$91 coming into Wednesday, the market found some notable buying yesterday thanks to the steep discount of the board to cash. We have now bounced a little more than \$2 off the lows scored early last week, so maybe we can start to see some stabilization in here after a couple weeks of nothing but lower trade.

Feeder cattle futures were a little more subdued Wednesday, although some contracts still saw decent gains. The spot August was a little slower to take off, but we did see triple digit gains at times on some of the deferred contracts. Hopefully we can string together a few more days like that and continue to stabilize this thing, although we are still around \$7 off the highs scored just a month ago. Seasonally the feeder market tells us that the highs on that August contract shouldn't really be made in the month of April or May, but we have some serious work to do if that is going to be the case this year.

Cattle slaughter Wednesday 130,000 unch week ago +2k year ago
Choice Cutouts: 163.57 -.41 Select Cutouts: 156.10 -.39
CME Feeder Index: 107.66 -.01 Lean Hog Index 81.38 -.68
Pork carcass cutout value 85.85 -1.31
Hog slaughter Wednesday 411,000 +16k week ago -10k year ago

Calls this morning in the cattle complex are a little better, with the electronic trade trending higher overnight and into this morning for fats and feeders. There should be some additional cash trade to come yet this week, especially in Nebraska and Texas, after Kansas led the way numbers-wise Wednesday. Without additional notable strength on the board I think that \$94 mark probably catches the Southern live business, as the incentive for packers to push much harder than that is pretty light thanks to the continued woes in the product trade. I suppose there is still an outside shot to do a little better than \$94, but I'll stick with that guess for now. For the open this morning, I will call live cattle 10 to 20 higher and feeders maybe 30 to 50 cents better.

Moving over to the grain markets, things were fairly quiet Wednesday most of the session, with corn futures coming under a little pressure from improved crop conditions as well as generally favorable weather across much of the Midwest. Soybeans were just mixed as there really wasn't much news for anything and the outside markets weren't offering much direction. Kansas City wheat futures made new contract lows by ¼ penny Wednesday, as harvest progress is picking up with the onset of some more summer-like weather in much of wheat country.

Overnight electronic trade last night was mixed with corn unchanged to ½ lower, beans 4 ¼ to 5 higher, and Kansas City wheat ¾ to 1 ¼ higher.

Well things were fairly quiet most of the day Wednesday as there really wasn't an abundance of news. The most notable action came in the wheat markets as well as corn, with new recent lows printed late in the session for both. July corn fell below \$3.50 and hit its lowest mark since last September, falling out the bottom end of that long held trading range. We didn't just fall apart after new lows were made, so hopefully that means we can hang in there. This early in the growing season it is hard to imagine a complete blow-up in the corn trade, as we still have a long way to go before this crop is made and I think the market will want to see that before totally giving it up.

The wheat markets were even uglier yesterday, with new contract lows printed in both Chicago and Kansas City, at least on the electronic trade. The old lows were just tied in the pit in Kansas City. I suppose you could cite harvest pressure for some of the weakness in Kansas City with active Southern Plains cutting going on, but Chicago was twice as weak as KC without any harvest pressure. It appears the market may be starting to come to grips with some of the ugly fundamentals as we sink lower into harvest. Perhaps the one positive in the lower futures trade is the potential to see some basis improvement, although it probably takes another 50 cents down in futures to see much of a basis change, at least right at harvest. I know there are plenty of you out there trying to figure out what to do with your wheat at harvest in the midst of new lows in futures and historically wide basis, which is a terrible combination. Your best bet remains to be looking at ways to capture the carry in the market through storage and also working hard to merchandise any high protein wheat you may harvest, as that will still demand a premium with millers, especially post-harvest.

The bean market was on its own Wednesday, with a mixed close considered a victory for the most part with the lower trade in corn and wheat. Cash tightness got the credit for the support, with talk of domestic crushers unable to cover needs. Basis remains firm around the Midwest as those producers still holding beans have become tight-fisted, hoping to hold out for better money. We have known all along old crop bean supplies would get tight through the summer, so the basis strength shouldn't be too surprising. If the board continues to stay weak or move lower, that basis likely gets better over the next couple months as we limp into the new crop year and more abundant supplies, assuming we raise a crop this year.

Well once again there isn't much news, with the normal weekly export sales report that would be out this morning delayed until tomorrow thanks to the Holiday last Monday. The outside markets are fairly quiet with crude oil a shade a higher and the dollar a bit weaker, so not much influence there this morning, at least for now. Without a weather scare or fresh China news, there really isn't much of an argument for a big corn rally, but at the same time I don't see the market being pressed too hard in here, at least for now. The bean market will continue to be dominated by talk of the tight cash situation, and that could eventually lead to some volatile trade in the spreads. The wheat trade has broken down and probably needs to break further, but it's hard telling how much we can press it. Conditions remain favorable for harvest in the Southern Plains and there will be combines rolling in Kansas soon, so we may not have seen the last of the harvest pressure just yet, as the farmer remains a pretty active seller despite the weak futures and terribly wide basis. Remember-look for ways to sell that carry in wheat, as that is the easy money in the market that is there right now regardless of market direction from here.

If that last sentence sounded a little foreign to you, make sure you give me a call and register for one of our free upcoming workshops in Wichita, Great Bend, Concordia, or Seneca.

Calls this morning are going to be mixed to mostly higher, in line with the overnight trade. For the open, I will call corn futures mixed to 2 higher, beans 2 to 5 better, and Kansas City wheat 1 to 3 higher.

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