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Date: 06.07.10

Morning Ag Markets

Pete Loewen

Well, if it wouldn't have been for Friday's deep drop in the cattle futures pits the week was shaping up to be steady to better. That dream was squashed by HUGE pressure in some of the outside markets- like the DOW that closed down well over 300 points. The dollar was up over a full point as well.

Cash feedlot trade managed to range from \$94 to \$96 at the top end which was steady to \$2.00 higher than the previous week. Cash feeder cattle and calf trade was mixed with quotes anywhere from \$2.00 higher to \$2.00 lower. However, given the futures pressure from Friday and also the fact choice cutouts were down all 4 days last week (actually choice quotes have been lower 13 straight days), it might be a bit tougher to hold support in cash this week. It's going to take a turnaround in cattle futures to get that accomplished and that will be tough unless the product market can find some strength to build on...

Cattle slg. ___ wtd 625,000 -49k wa -46k ya

Choice Cutout_160.45 -1.47

Select Cutout_152.41 -1.74

Feeder Index:___108.01 +.04

Lean Index.___ 80.11 -.49

Pork cutout__84.78 -.59

IA-S.MN direct avg__76.19 -.95

Hog slg. ___ wtd 1.791 mln -133k wa -302k ya

Weekly closes had june live cattle up 42 cents, august live down 62 cents, august feeders up 45 cents and june lean hogs down 2.80.

Opening calls this morning are mixed and for lack of a better term- "nervous". The outside markets trumped all other factors on Friday and will continue to rule with an iron fist if they move heavily this week as well. It's kinda tough to analyze true meat market fundamentals and use those to predict market movement when the sole driver at times has nothing to do with immediate term fundamentals like what happened on Friday. That volatility isn't going away though, so we have to deal with it.

The same outside market forces that hurt cattle futures were also working against the grain markets on Friday. It probably didn't help that export sales that were released prior to the open were dismal as well. Fall crop markets felt the brunt of the selling with corn and beans both down in the double digits. Beans were as much as 20 lower in several contracts. Wheat hung back without as much pressure, but still finished lower.

Weekly closes had July KC wheat down 16 ½, December corn down 20 ½ and November soybeans down 7 ¾.

Overnight E-CBT trade was __ mixed in wheat, but lower in corn and beans. KC Wheat finished +3/4 to -1/2, Chicago +1/4 to -1 ¾, corn -1 ¼ to -3 ¾ and soybeans -1 to -3 ½.

After Friday's nasty finish, there is a lot of concern growing for the grain markets this week. There is a good chance that crop conditions will improve again this week in corn and beans. Of course, export sales were bad last week and with the dollar shooting higher on Friday and already in a steep uptrend, the odds of exports continuing to dwindle are increasing as well. Add to all this a DOW that is back under 10,000 points and we get the potential for managed money to trim more length in the market too.

\$3.52 ¾ is contract low support in Dec Corn and we finished 3 cents away from that on Friday. Nov beans are just 6 cents away from new recent lows and if that is breached it will take the market to its lowest level since October. Wheat easily made new life of contract lows last week. So, the charts are all pointing south at the moment, just like the outside pressure.

That all may sound like a "throw in the towel" type mentality, but we need to keep in mind also that it is only June. There is a long road ahead for this growing season and a lot can happen weather-wise to change these trends. I'd say the corn market in particular has very little weather premium attached to it, so any change in the forecast will provide positive results for the market. The problem is, the 6-10's are still favorable with warm temps and normal to above normal precip through much of the Corn Belt, albeit the southeast part of the Belt was drier. As long as it's June, I don't think an above normal temperature forecast is friendly to the market, it's actually negative when there's precip involved as well. If it was July or August a forecast like that would be friendly maybe.

As far as calls go this morning, the outside markets are relatively quiet, so the grain market calls are just mildly weaker. With the technicals looking ugly in grains, any outside market pressure could really open the floodgates again to the downside, so we need to cross our fingers that the DOW and some of these other markets can claw their way back to better values instead of crumbling again.

On a side note, if you haven't signed up for our grain marketing workshops this week and next, it's not too late to do so. We're in Wichita tomorrow and Great Bend on Thursday this week so call us if you are interested.

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