



Loewen and Associates

Commodity Brokerage/Consulting

Pete Loewen, Tim Strunk,

Matt Hines, Doug Biswell

866 341 6700

www.loewenassociates.com

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Morning Ag Markets

The cattle complex tried to recover at times Monday after last Friday's ugly end to the week, but in the end we still finished with some fairly notable losses in the live market and lower feeder cattle futures as well. News was fairly light and for once the outside markets really weren't exerting much influence, but the selling pressure still would not go away. The equity markets did weaken up later in the day, but they weren't too bad during the cattle pit trading hours. It was a little disheartening to see cattle futures struggle even without the presence of that major outside market pressure, but there was apparently enough carry over from last Friday's sell-off to keep the momentum headed lower. The lower start to the week on the board probably doesn't bode well for this week's cash prospects after the halfway encouraging steady to slightly higher business done last week. Cutouts continue to grind lower as that slide has been fairly severe over the past couple of weeks, which can't be helping the mood of packers when it comes to buying cattle.

The cash feeder trade Monday at the big auctions looked pretty similar to that of two weeks ago, the last time the big Monday auctions were held prior to last week's Holiday. Joplin was called steady on the steer calves and yearlings while the heifers were steady to \$2 lower. Oklahoma City saw a bit of a dropoff on the feeders, with steers and heifers called \$2 to \$4 lower with the exception of the heavier animals which were closer to steady. The calves were steady as well when compared to two weeks ago. The big jump in the cash feeder index yesterday was interesting, but keep in mind we saw some decent futures strength early last week that likely induced higher cash, which the trailing index just picked up.

Calls this morning in the cattle complex are a little better after the overnight electronic trade was on both sides of unchanged for fats and feeders. The outside markets are fairly quiet for now, so not a lot of direction there at the moment, although the electronic cattle trade has turned a little stronger this morning. It will be interesting to see if the cash fed cattle trade gets going today, as early week business has been the norm the past few weeks. At this point I would think we would be looking at trade a little below last week's mostly \$94 in the South, with the spot June futures contract falling below the \$90 mark. For the open on the board this morning, I will call live cattle 20 to 30 higher and feeders maybe 10 to 20 better.

Moving over to the grain markets, things were surprisingly slow to start the new week in the wake of last Friday's big losses, with the outside markets fairly quiet and the grains in turn posting some very narrow trading ranges. Weather remains a mostly negative influence across the board and there just hasn't been anything to generate buying interest, as we saw December corn futures fall within 2 cents of the contract low and July wheat made a new low for the third session in a row.

Overnight electronic trade last night was mixed with corn $\frac{3}{4}$ lower to $\frac{1}{4}$ penny higher, beans $1\frac{1}{4}$ lower to $\frac{3}{4}$ higher, and Kansas City wheat $\frac{1}{4}$ to $\frac{3}{4}$ higher.

Well things were really pretty quiet to start the week, which caught a few off guard I think after the mess to end last week. The news was light but the grains were still unable to find any kind of buying strength as the mood has shifted to a more deflationary stance and those who had previously looked at the grains as an inflation hedge have been forced into liquidation mode the past several days.

Monday afternoon's Crop Progress report really didn't hold any major revelations, with 76% of the corn crop still rated good to excellent overall, although 3% did get moved from the good to the excellent column. Just 5% of the crop was rated poor to very poor, up one point from last week. 94% of the corn crop was emerged, up 9% from last week and also 9% ahead of last year at this time. The first weekly soybean crop rating of the year had 75% of the crop rated good to excellent and just 4% poor to very poor, which is about what the trade expected. Minnesota led the way at 93% good to excellent for beans and 92% good to excellent for corn. Soybean plantings were at 84%, up 10 points from last week, 10% ahead of last year, but just even with the 5-year average as a few areas are having a tough time finishing up. The corn and bean crops are off to a pretty decent start in most areas and for now there doesn't appear to be any major market-moving weather threats developing as we move through the month of June and closer to crunch-time this summer when it comes to our growing season.

This week's Crop Progress report also had the first wheat harvest progress update, with 17% of the Texas crop harvested and 12% in Oklahoma. That leaves Texas 8% behind last year and Oklahoma actually 4 points ahead of this date a year ago. Oklahoma is 11% behind the 5-year average and Texas 7% back. Keep in mind moisture has been plentiful for many in the Southern Plains this year, slowing the maturity a bit compared to the past couple of short crop years. The wheat is turning fast and combines were just starting to roll in South Central Kansas before this week's rains hit, but now things will probably have to wait a bit. There were some reports of wind and hail associated with Monday's storms in parts of the state, which is exactly what wheat farmers don't need right now. No major widespread damage was reported, although that won't help those who were unfortunate enough to see it over the past couple of days.

Well here we are with not even 20% of the hard red winter wheat crop harvested in the Plains and basis is already in the tank. Reports from Oklahoma and parts of Texas are horrid, with basis bids as wide as \$1.50 under reported. Cash wheat below \$3 isn't going to make anyone a tremendous amount of money, no matter where you're farming. There is just no interest in wheat at the Gulf and millers aren't big buyers either, as they will be selective in looking for protein. That may help those of you with high protein wheat, but the ordinary stuff is going to be difficult to move without getting hammered on the basis. I'm afraid the horror stories out of the Southern Plains will spread north into Kansas once our harvest activity picks up, so I hope you have all taken measures to be prepared. We have been talking about the wheat basis problems for quite a while and it may seem silly to contract wheat at historically wide basis levels, but if you know you have to deliver grain at harvest, it may still be worth checking into if your local basis hasn't fallen off a cliff yet.

Well there really isn't much in the way of fresh news this morning to move the markets and the outsides are fairly subdued as well, at least for now. More rain is moving through the Midwest and at this point it is going to take a big threat of prolonged heat and dryness before the market starts to worry about weather much. The upcoming crop report Thursday has many in the trade looking for some short covering leading up to that report, and I suppose that is a decent possibility, although I don't think it will be too enthusiastic without help from elsewhere. For the open this morning, I will call both corn and beans mixed to 2 higher and Kansas City wheat maybe steady to a couple cents better as well.

Lastly this morning, we do still have room at our free grain marketing workshop this evening down in Wichita and also Thursday in Great Bend, so if you caught some rain and would like to attend, give us a call today for the details and we look forward to seeing many of you there.

Tim Strunk

Loewen and Associates, Inc.

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