



## **Loewen and Associates**

**Commodity Brokerage/Consulting**

**Pete Loewen, Tim Strunk,**

**Matt Hines, Doug Biswell**

**866 341 6700**

**www.loewenassociates.com**

Date: 06.09.10

## **Morning Ag Markets**

**Pete Loewen**

With next to nothing for fresh news out there to drive things yesterday it was a very dull session for both the meats and the grain trade. Outside markets weren't showing any signs of life in either direction to provide spillover either. Markets like the DOW were quiet during most of the grain and livestock trading session, but it did manage a stronger trend into the afternoon settlement.

Both the hog and the cattle markets are firmly entrenched in bearish technical trends, but in the case of contracts like the live cattle, the cart is also getting a little bit ahead of the horse. We are into deliveries in the June live cattle contract and yet that spot futures contract is hanging on at a whopping \$4.00-\$5.00 discount to last week's cash feedlot trade. It's a hedged basis traders dream still, but it's also something that isn't going to last very much longer. Delivery markets generally cause a lot better convergence than what is happening in that June Live market, so we either need to be seeing futures come up to meet the cash trade, or cash trade has a big slide ahead of it over the next two weeks.

The cash consensus coming into this week tends to side with country trade being on the weaker side and migrating down more than futures coming up. Given the fact that product trade continues to suffer dearly after another \$1.25 was taken off of choice quotes last night, packers shouldn't be as aggressive this week either. That's 15 straight business days now that choice quotes have been down and in the midst of that drop, cash feedlot trade was actually steady to better last week.

Getting back to something that I've talked about for a couple of weeks now, this isn't really a fundamentally led declining market, but instead the fundamentals are being pulled lower by the sinking futures trade. It just gets confusing when those fundamental indicators are being pulled lower in stages. Futures are down hard, cutouts have a sharply lower trend intact, but yet cash has been much more reluctant to follow suit.

Cattle slg. \_\_\_129,000 -1k wa +1k ya

Choice Cutout\_158.56 -1.25

Select Cutout\_150.11 -1.48

Feeder Index:\_\_\_109.76 -.74

Lean Index.\_\_\_79.60 -.47

Pork cutout\_\_83.84 -.36

IA-S.MN direct avg\_\_75.79 +.71

Hog slg.\_\_\_401,000 -10k wa -14k ya

Calls this morning are looking like they should be moderately higher given the trend we've seen so far in the overnight action.

In the grains it was a painfully dull day for most of the session aside from a late push lower in the bean market that happened without a lot of merit. Electronically there were several bean contracts down in the double digits at the bell, but the pit was a slower follower and the settlement really didn't reflect the negative momentum right at the end.

Overnight E-CBT trade was\_\_ mixed with KC wheat finishing unchanged to +1 ¼, Chicago - 1/4 to +2, corn -1/4 to +1/2 and soybeans -4 ¼ to +4.

The biggest headline of the day revolves around China and their National Grain and Oil Info Center's prediction of the 2010 corn crop. They cited a 168 mmt corn crop, which would be up from 163.9 last year and a new record for production. Their usage is around 150 mmt's give or take a little, so a number at 168 leaves plenty of cushion on the supply side. Ironically, the story had ZERO impact on the overnight action heading into the 7:15 close this morning. I don't quite know what to make of the lack of following, but I'm sure this is going to be talked about a lot today. Given the fact there's a ship in route to China with US corn and more being loaded from their recent purchases, this adds a whole new twist to their game plan. In the past they have been legitimately accused of fudging numbers at times to create favorable market moves for their positioning, so in the end you need to take news like this with a grain of salt. It "should" warrant some pressure today though just due to the fact it was put out on the wire.

In wheat, the ugly stories of pitiful basis bids and low protein continue to haunt the progression of harvest through parts of Texas and Oklahoma. \$1.00+ under is a common number and \$1.50+ has been mentioned a few times as well. Those kind of numbers have a lot of producers up in arms asking what's wrong with the market. The answer is really kind of simple-- the futures price is still too high! We have a cash market that is accurately reflecting what wheat is worth, but a futures market that hasn't followed it down fast enough. There's way too much wheat in the world. There's way too much wheat in the US and here we go again raising another good crop and the system doesn't have enough places to store it. Plus, when you look at the position of where the brunt of this stockpile is still located domestically, it's right in the middle of where the newly harvested production is coming out of the field. There is absolutely nothing friendly about the wheat market. You can't say you haven't heard that from us before.... The only value to the wheat market is if a producer has decent protein which can definitely be taken advantage of if you know how to do it.

Calls this morning are mildly higher. The DOW is mildly stronger this morning, the dollar weaker and crude is up well over \$1.50, so there is a decent chance that outside market action could spill over into some positive momentum for grains.

**Pete Loewen & Tim Strunk**

**Loewen and Associates, Inc.**

[www.loewenassociates.com](http://www.loewenassociates.com)

[peteloewen@cox.net](mailto:peteloewen@cox.net)

[timstrunk@cox.net](mailto:timstrunk@cox.net)

**866 341 6700**

**IMPORTANT—PLEASE NOTE**

This does not constitute a solicitation to buy or sell commodities futures and/or options. The information contained herein is provided for informational purposes only. The information is not guaranteed as to its accuracy or completeness, although the information was taken from sources we believe to be reliable. The market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading commodity futures and options. The risk in trading can be substantial; therefore only genuine “risk” funds should be used.**