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Morning Ag Markets

The cattle complex tried to rally in the early going Wednesday, as we notched triple digit gains at times on a few different live and feeder contracts before things started to slide around midday. The selling pressure was most evident in the live market, which ended up finishing with some moderate losses despite what should have been some fairly supportive outside markets. Feeders hung in there a little better on the day, although we were still around 50 cents or so off the highs by the close. The live market continues to be plagued by the product trade, which can only be described as sick right now. Both choice and select cutouts were down nearly \$2 yesterday as we have witnessed a very ugly slide there over the past couple of weeks. The continued struggle on the board and in the product trade likely led us to the development of the lower cash business Wednesday, with some \$93 sales reported in Texas. There was a moderate amount of cattle traded and the \$2 to \$2.50 lower trade likely doesn't bode well for the rest of the week in other feeding areas. There was some very light business in the North at \$93 live in Nebraska yesterday, but not really enough to establish a trend. I think it is probably safe to say with the big drop in cutouts Wednesday along with the board's inability to get anything going likely points to the lower cash trend holding the rest of the week.

Cattle slaughter Wednesday 124,000 -6k week ago -2k year ago
Choice Cutouts: 156.81 -1.75 Select Cutouts: 148.26 -1.85
CME Feeder Index: 109.73 -.03 Lean Hog Index 79.15 -.45
Pork carcass cutout value 82.94 -.90
Hog slaughter Wednesday 404,000 -7k week ago -14k year ago

Calls this morning in the cattle complex are mixed to a little better as the electronic trade was stronger overnight into this morning, although without much conviction and we have started to slip up a bit in the feeders. The outside markets are once again mildly supportive, but that didn't really help us much yesterday. I can't really give you any fundamental reasons for a rally at this point, as the cash trade hasn't offered any support and the product trade has been sick as well. For the open this morning, I will call live cattle 20 to 40 better and feeders maybe steady to 10 or 15 higher.

Moving over to the grain markets, we tried to rally Wednesday on some short covering ahead of Thursday's report as well as notable outside market support, but the buying interest slowed a bit into the close and we finished just a shade better corn while the front end of the bean market held on to double digit gains. New crop beans were closer to unchanged and corn and beans both finished well off of the day's highs. Kansas City wheat futures were higher briefly before falling to more new contract lows, despite wet weather in much of wheat country that will slow harvest progress somewhat.

Overnight electronic trade last night was mixed with corn 2 ¼ to 2 ½ lower, beans 3 to 4 higher, and Kansas City wheat 1 ¼ to 2 higher.

Well we got a fresh look at supply and demand data this morning from the USDA, as well as new wheat production guesses. There were some small surprises, so let's get to the numbers. For starters, old crop ending stocks came down for all three major crops. 09-10 corn carryout is now pegged at 1.6 billion bushels, down from 1.738 in May and below the average guess at 1.714. The change came thanks to feed and residual use being dropped 25 mil bu while ethanol came up another 150 million and food/seed/industrial came up another 10 on top of the ethanol increase. 09-10 soybean carryout

was 185 million bushels, down 5 million from last month and close to the average guess. Wheat ending stocks for the marketing year that just ended May 31 were at 930 million bushels, which was down from 950 last month but still a terribly large number.

The 2010-11 ending stocks guesses saw some changes as well, with corn carryout next year pegged at 1.573 million bushels, down sharply from the 1.818 mil last month and also well below the average guess at 1.806. The USDA decided to increase ethanol usage another 100 million from last month and crush/mill up 10 million. Put that with the lower carryin estimate and you get the 245 million bushel drop in carryout from last month. Soybean ending stocks for next year are guessed at 360 million bushels, down 5 million from last month thanks solely to the lower carryin from the 5 million drop in 09-10 ending stocks, so no changes to the soybean balance sheet today. Next year's wheat carryout is at 991 million bushels, down 6 million from last month's guess but still about 9 million more than the average guess for this report.

The other numbers out with this morning's report were new wheat production guesses, with the total winter wheat crop pegged at 1.482 billion bushels, up from 1.458 last month and a little better than the average guess. The hard red winter wheat crop was pegged at 979 million bushels, up sharply from the 960 number seen last month and well above the average guess at 939. The Kansas average yield came up 1 bushel to 43 bpa while Texas and Oklahoma stayed the same as last month at 35 and 33 bpa respectively. For what it's worth, the Texas crop looks to be almost exactly twice what it was last year, an increase of 61.25 million bushels, while Oklahoma is up 51 million bushels. On the other hand, the Kansas crop is actually going to be down 17 million bushels compared to last year according to this morning's numbers.

We also had export sales this morning and I won't take time to give all the numbers, but they were pretty solid for corn, decent beans, and a total non-event for wheat. The corn number was probably the most notable as we cracked the 1 MMT mark in weekly sales again after slowing down somewhat for a couple weeks.

Well for not expecting many surprises this morning I'd say we got one in the form of the notable changes to the corn ending stocks numbers and I would expect the market to react accordingly. We have been struggling down here around these lows and this morning's numbers should be good for a little pop from this level. The bean numbers really didn't hold any surprises, as corn will get most of the attention in the wake of the report. Wheat is still a dead duck and facing the same issues we have been talking about for weeks and months.

Calls will be higher for the corn market and beans should open a little stronger as well after the higher overnight trade, with the wheat market maybe trying to tag along and open better as well, although it really probably shouldn't after the larger than expected production numbers this morning.

For the open, I will call corn futures maybe 3 to 7 higher, beans 3 to 5 stronger, and Kansas City wheat mixed to 2 higher. The corn calls are all over the place this morning and I think the numbers should be good enough for a stronger open, I just don't know how carried away the buying will get at this point after the recent struggles.

Lastly this morning, we do still have plenty of room at our second free grain marketing workshop this evening in Great Bend, starting at 5 pm at the Knights of Columbus Hall. Even if you haven't had a chance to RSVP yet, come join us for this educational event and sharpen up your marketing skills.

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