



## ***Loewen and Associates***

***Commodity Brokerage/Consulting***

**Pete Loewen, Tim Strunk,**

**Matt Hines, Doug Biswell**

**866 341 6700**

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

Date: 6.15.10

### **Morning Ag Markets**

The cattle complex started the week on a positive note, taking cues from the outside markets and finishing with some moderate gains on the day. There wasn't an abundance of news, other than the hope that we could somehow stabilize the product market and therefore maybe stop the little slide in the cash fed cattle trade from last week. Packers didn't buy an abundance of cattle last week as they relied on contracted supplies for a good portion of their needs, so there is some thinking they will be pretty close to the knife with supplies this week. However, with not many cattle traded last week, the potential is also there for the showlists to be a little larger, especially in the North. The higher trade on the board Monday will get everyone a little more optimistic when it comes to the cash business, but the product trade remains sluggish as choice cutouts leaked a little lower again Monday. Until we start to see some sort of a rebound there, I am not going to get overly excited about a big sustained cash rally, as the incentive just isn't there right now for packers to pay up for supplies. My best cash guess as it stands now is probably around steady money in that \$92 to \$93 range in the South. I suppose if the board can build on Monday's strength and we also see cutouts start to rebound, there is a chance to move cash higher, but I don't see the incentive to do so at this point and it actually wouldn't surprise me if we went the other direction with it.

The cash feeder trade to start the week actually had a slightly better undertone to it, with Oklahoma City looking the strongest despite a delayed start to the Monday sale thanks to the major flooding issues in that region. The feeder steers were called \$1 to \$4 higher while the heifers were steady to \$2 better. The calves were also steady to \$2 higher on a light test. Joplin was just steady on the steer calves while the heifer calves were steady to \$2 lower. The heavier yearlings were the strongest on the day, up \$1 to \$3. The feeder market seems to have stabilized in here a couple dollars off the lows and kind of feels like we may start to get into some range-bound trade, although I still think it is going to be very difficult to make a run at those highs from earlier this spring.

Cattle slaughter Monday	124,000	-1k week ago	unch year ago
Choice Cutouts:	153.13	-.04	Select Cutouts: 145.51 +.27
CME Feeder Index:	108.16	-1.78	Lean Hog Index 77.93 -.46
Pork carcass cutout value	82.73	-1.26	
Hog slaughter Monday	402,000	unch week ago	-12k year ago

Calls this morning in the cattle complex are going to be a little stronger in the feeders and maybe more mixed on the live side, as the electronic trade was looking better overnight and into this morning for everything except a few live contracts. News is pretty light with feeders maybe finding the little bit of support from the stronger cash trend Monday. The outside markets are mildly supportive again as well, but nothing too crazy at this point. For the open this morning, I will call live cattle 10 lower to 10 higher and feeders maybe 20 to 30 stronger.

Moving over to the grain markets, the wheat trade led the way Monday with big gains as traders continue to react to lower Canadian acreage estimates as well as some excessively wet weather in parts of U.S. hard red winter wheat country. We finished with double digit gains in Chicago and KC wheat while corn was just a few cents better and beans moderately higher as well, unable to hold the double digit gains seen early Monday. The outside markets added some support as well and helped us start the week higher across the board.

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

Well the markets seemed to start the new week with a little change in attitude, which started in the outside markets, namely the U.S. dollar as it sold off hard Monday. In turn we saw equity, energy, and commodity markets all rally on the day. The wheat markets were the big story, still taking direction from the Canadian Wheat Board's estimate last Friday that 8-12 million acres would be abandoned this year in the prairie provinces. With more rain coming to that region, the likelihood of lost acres remains high. The result has been some significant strength in the Minneapolis wheat market which has helped pull up Chicago and KC as well. The market everyone was excited about Monday however was oats, which was limit up on the day. The old-timers always like to say the oats market is a precursor for bigger moves in all the commodities, and oats have been up over 50 cents in 5 sessions. Take that for what it's worth, but it is definitely giving the bulls something to talk about—finally.

The big problem with the Canadian news and resulting wheat market rally is the fact that fundamentally, our wheat markets shouldn't be rallying. Those of you in wheat country already know all too well how ugly the basis situation is, and a rally on the board will just make that worse. The brutal truth is we need to see decreased production around the world to bring supplies back in line. There is a reason your wheat basis is the worst it has ever been—we have too much of it with nowhere to go. Simply put, wheat futures are too high. You may want your old 30 under historical basis back for wheat, but keep in mind that would mean futures would be a dollar or so lower. The cash market tells us what our crops are worth and right now new crop wheat is clearly not worth \$4.80, the current nearby board price. Those statements may sound a little rough, but they really can't be argued.

Monday afternoon's Crop Progress report really didn't hold anything too major for the markets, although we did see a slight improvement in corn conditions and a slight drop in beans. 77% of the corn crop was rated good to excellent, up one point from last week as that 1% was moved from the fair category to the excellent column. The soybean crop was rated 73% good to excellent, dropping 2 points from last week but still 7 points ahead of last year at this time and also still a record for the date. 91% of the bean crop was reported planted, up 7% from last week and still 1 point ahead of the 5-year average. Missouri is still the big laggard, running 6% behind normal at 71% done. Still not a complete disaster though, as they remain 4% ahead of last year's pace. As a whole, this year's corn and bean crops are still off to a pretty solid start, despite some of the recent struggles getting beans finished up.

Well that is about it for news this morning, with more rain dotting the radar around the Midwest. Most have had enough rain for a while, especially those with wheat to cut. As soon as the ground will go in Central and South Central KS we should see the harvest activity pick up in a big way. Unfortunately I can't give you any reason why basis should get better, especially if the board rallies. Looking at capturing the carry in the wheat market is still the way to play that game, and if you are unsure how to do that, it's time you learned.

Calls this morning are going to be just mixed with the outside markets adding a little support but the lack of other news to keep driving us may work to cap any major moves. Conditions remain favorable for the corn crop and beans aren't bad either, if we could just ever get them all planted. The weather looks to dry out a bit in the Plains as well, welcome news for the wheat farmers. For the open this morning, I will call corn futures 1 to 2 lower, beans 1 to 3 higher, and Kansas City wheat 1 to 3 lower.

**Loewen and Associates, Inc.**

**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.**