



## ***Loewen and Associates***

***Commodity Brokerage/Consulting***

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### **Morning Ag Markets**

The cattle complex was very mixed Wednesday as news was relatively light and the outside markets didn't offer an abundance of influence. Live cattle futures were able to hold higher for the most part on the day while feeders were moderately lower in a session that really lacked much excitement. The past several weeks we have seen cash trade underway by this point in the work week, but it has been slower to develop this week as packers try to avoid having to paying any more than they absolutely have to for cattle. Cutouts are still spinning their wheels more or less and the incentive for packers to pay higher money just isn't very strong. The nearby June live cattle contract continues to hang around or slightly below that \$90 mark, which likely limits the ability of cash to come up too much this week after the mostly \$92 to \$93 trade last week. My guess would be those levels are enough to catch this week's business as well, with no major changes on the board or in the product trade to make me think otherwise. The cattle on feed report tomorrow is the wildcard I suppose, but I would imagine we'll see some business underway before that report is out at 2 tomorrow afternoon.

Average estimates for tomorrow's report have placements at 124% of a year ago, which is a major jump, but keep in mind last year's May placements were pitiful. Total cattle on feed as of June 1 was expected to be 101% of a year ago, the first time since last November that we have seen an on feed number larger than a year ago. Marketings are guessed at just 97% of a year ago, compared to the 99% seen last month.

Cattle slaughter Wednesday	127,000	+3k week ago	-1k year ago		
Choice Cutouts:	153.77	-.44	Select Cutouts: 146.40	-.31	
CME Feeder Index:	108.61	+.04	Lean Hog Index	77.82	+.06
Pork carcass cutout value	81.34	-1.42			
Hog slaughter Wednesday	406,000	+7k week ago	unch year ago		

Calls this morning in the cattle complex will be mostly a little lower, as the electronic trade drifted that direction overnight into this morning and there really isn't much going on to help push us higher. The outside markets are just mixed at this point with no major movement noted, so that influence looks to be pretty quiet for now. Traders will be waiting for any news out of the cash market and also finishing up positioning ahead of tomorrow's report. As always we'll need to keep an eye on the outside markets, but for now, calls will be mostly lower. For the open, I will call live cattle 10-20 lower and feeders mixed to 15 lower.

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Moving over to the grain markets, wheat was back as the leader Wednesday as we saw double digit gains again on more talk of reduced Canadian production as well as trouble getting harvest underway in the Plains thanks to the excessive rain. Corn futures were able to hang on and finish a few cents higher while beans put together a decent day as well, despite a lack of much fresh supportive news, other than continued worries over too much rain scattered around the Midwest.

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

Well despite a continued mostly negative fundamental picture, the wheat markets led the way Wednesday with more double digit gains throughout most of the day. The driving force behind the trade has mostly been the situation in the Canadian Prairie as they continue to battle excessively wet

weather. The Canadian Wheat Board's report last Friday that said 8.5 to 12.5 million acres would go unplanted was the catalyst for this move and we have since piled on as forecasts remain very wet and most consider the Canadian planting season over, with many acres still untouched by the drill. That has also pushed the oat and canola markets to some very impressive gains in the past few sessions, which in turn has provided support to wheat and beans.

Now, does that mean our wheat markets need to keep going up? Not necessarily. Minneapolis wheat has been the leader, as it is the high protein spring wheat contract. The loss of a big chunk of Canadian production means the loss of some of those high protein supplies. In turn, that has allowed Minneapolis wheat to lead our markets as that higher protein wheat will be in much shorter supply. The lower protein stuff will be more than plentiful and we'll likely see that basis remain very weak, especially if we can ever get the combines rolling in Kansas. Excessive rainfall has slowed harvest progress but forecasts are starting to look better and hopefully in a few days we're seeing some progress. Back to the local basis situation, which is garnering attention from everyone in the business all the way up to Washington DC. There are several issues in play here, with everyone looking for someone to blame. We don't have time to fully discuss the problems on the radio, but efforts are underway to get to the bottom of the issues and hopefully work on a plan to help that cash and futures market convergence, as that is the only way the Kansas City Board of Trade can remain a viable hedging tool. In the meantime, unfortunately I can't give you much reason to see basis improvement on ordinary protein wheat, especially if the board continues to creep higher. If you have protein, use that to your full advantage with marketing this year's crop, otherwise you need to be looking at storage possibilities in an effort to capture the carry offered in the market right now and any potential basis improvement down the road, although I don't have a lot of faith in that, other than on the higher protein levels.

Well the wheat, oat, and canola markets have been getting most of the attention, but soybeans have put together some decent days as well. Part of that comes from the spillover strength from canola but there is also some concerns about the excessive rainfall in much of the Midwest. The corn market has been in a little stronger trend, but the gains there have been a little harder to come by as that crop is coming along nicely. China was back around the news yesterday, even as they have been on a Holiday the past couple days. They have supposedly bought more U.S. and Argentine beans for August delivery, but no confirmation yet. There has also been talk of more Chinese corn imports from the U.S., but still nothing confirmed. The port issues continue in China as well, but that isn't stopping the buying. Most of the China rhetoric has been supportive lately, although I don't think it has played a big part in the recent strength. Chalk that up to the outside markets, weather talk, and spillover support from the other grain and oilseed markets.

In other news this morning, weekly export sales were surprisingly solid for wheat, coming in at 35.3 million bushels, smashing the guesses from 5 to 11 million as we seemed to have finally uncovered some export demand. Corn sales were solid as well, coming in at 42.9 million bushels, topping the guesses from 30-40 million. Bean sales were a little disappointing, as we saw a negative 5 million bushel tally for old crop thanks to some big Japanese cancellations. The new crop tally was a positive 16.6 million bushels, but the combined total still didn't make it into the range of guesses from 13 to 17 million bushels. The export data this morning should help support corn and especially wheat, while beans won't get much help.

Calls this morning will be a little better, in line with the overnight action. The outsides are mixed and the weather is acting like it wants to straighten up a bit in the Midwest, so hopefully we can get some combines moving and also see some relief in the areas affected by high water. For the open this morning, I will call corn futures 2 to 4 higher, beans steady to 3 or 4 better, and Kansas City wheat maybe 2 to 5 better.

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