



Loewen and Associates

Commodity Brokerage/Consulting

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Morning Ag Markets

The cattle complex slid into the weekend with some mixed trade Friday in a fairly quiet session leading up to the release of the Cattle on Feed report Friday afternoon. The cash fed cattle trade was wrapped up for the week Thursday at levels mostly \$2 lower in the South at \$91 in Texas while Kansas was \$1 to \$1.50 lower at \$91 as well. With the cash business done and an on feed report looming, we just kind of coasted into the weekend with the live market drifting lower and feeders holding in there a little bit better for the most part.

As far as the report goes Friday, the numbers came in about as expected and there weren't any real major surprises. Total Cattle on Feed June 1 came in at 101% of a year ago, right on the average guess and up from 97% last month. That is the first time since last November that we have seen an on feed number higher than the prior year. May placements were up sharply, as expected, coming in at 123%, which was just a shade higher than the average guess. The 600 to 699 pound category showed the biggest jump in placements, coming in at 133% of a year ago, while the over 800 pound category was at 126% of a year ago. May marketings were 96%, just a shade below the average guess. With all the numbers coming in fairly close to the pre-report guesses, there shouldn't be much impact on the trade, although on the surface the numbers are a little negative to late summer and early fall live contracts.

Cattle slaughter Friday 129,000 +7k week ago +1k year ago

Choice Cutouts: 153.94 +.47 Select Cutouts: 146.01 -.19

For the week, June live cattle were 20 cents lower and August feeders 10 cents higher.

CME Feeder Index: 108.35 -.46 Lean Hog Index 78.37 +.37

Pork carcass cutout value 83.74 +.96

Hog slaughter Friday 382,000 +11k week ago -20k year ago

Calls this morning in the cattle complex are really just mixed with the on feed report not providing much new direction Friday afternoon. Cash fed cattle guesses for the week are mostly just steady for now after last week's decline, as the nearby June futures contract is still around a \$2 discount to cash. We did see the boxed beef trade stabilize a bit last week, but we need to see the uptick in movement to go along with that before I get too excited about the product market helping turn the cash business higher. Other news is light this morning and the outside markets are a little supportive, but nothing too major. For the open, I will call both live and feeder cattle futures 15 lower to 15 higher.

Moving over to the grain markets, we saw some nice gains throughout most of the session Friday for corn, beans, and especially wheat before prices started to pull back a bit into the close. That little bit of profit taking into the close really wasn't too surprising after a week of higher trade inspired by continued Canadian production woes, excessive rainfall in parts of the Midwest, and a general better sentiment around the grain markets than we have seen in some time.

For the week, December corn was 9 ½ cents higher, November beans 21 ¼ higher, and July KC wheat 19 ¾ cents higher.

Overnight electronic trade last night was higher with corn 5 to 5 ½ higher, beans 7 ½ to 13 ¼ higher, and Kansas City wheat 6 to 6 ½ higher.

Well the activity has definitely picked up in the grains lately, with weather starting to move to the forefront of the news for a couple of different reasons. We have seen a tremendous amount of rain and severe weather over the past few weeks in some areas, with parts of Missouri, Nebraska, and Kansas hit the hardest. The result has been delays in finishing up bean planting as well as some damage to already established crops in the lower areas. It is impossible to quantify the damage at this point and the biggest producing areas of the Corn Belt have still seen fairly favorable weather so far this spring, which is evident by the current crop condition ratings. Now after focusing on wet weather for a while, the market turned its attention to some heat that looks to set up over most of the Midwest. Hard to believe we can make that shift so fast, but the development of a ridging pattern later this week that is slated to bring some heat was given the credit for some of the overnight strength in corn and beans. I'm guessing there are a few out there in the listening area that would welcome some heat and sunshine for a few days, but I suppose the fear is we shift to a hot and dry pattern for an extended amount of time. I'd say it's a little too early to make that call, but we continue to build some weather premium back in the futures market as things aren't perfect everywhere by any means.

In other news, Informa was out with their new acreage guesses Friday, with the numbers surprising the trade a bit. Their new corn acreage guess of 89.3 million acres was down 300,000 from their last guess but still about 500,000 over the March USDA number. Bean acres came up 300,000 to 78.8 million, 800,000 over the USDA number. Spring wheat acres came down to 13.46 million, 450,000 below the USDA. I definitely agree with Informa on the fact that there are more total acres in the mix than the USDA gave us on the March report, but it was surprising to see their corn number come down. The weather issues in the Dakotas and elsewhere that have caused the bean planting delays may take the edge off the acreage total there, as last year is fresh on everyone's minds when it comes to planting late and dealing with delayed maturity and quality issues. The final USDA acreage report on June 30th will be a big event for the markets and it will be interesting to see the average trade guesses as we get closer to that date.

Well wheat harvest activity in the Sunflower State finally picked up late last week and over the weekend, with combines rolling across the state in those areas lucky enough to avoid the deluge of rain recently. Reports seem to be a little bit better than expected in many areas, although the weekend storms in the North Central part of the state cut a swath through an area that would have been looking at one of the better crops in some time. The larger producing counties in Central and South Central Kansas avoided the rain over the weekend and the combines will still be rolling strong, hoping to avoid the storms that have plagued other parts of the state recently.

In other news this morning, China announced a move over the weekend to make its currency exchange rate more flexible, meaning it will allow their currency to strengthen against other currencies instead of being pegged with the dollar. That is potentially big news, as it could increase their purchasing power and therefore increase imports. That news was likely a big driver of the overnight gains and we also saw an old crop Chinese bean purchase from the U.S. come across the wires this morning, which should help add some support as well.

Calls this morning will be higher as the weather is still raising a few eyebrows and the Chinese currency news will definitely be viewed as supportive to the commodities. The wheat markets continue to move higher as well, although active harvest over the weekend and to start this week should provide a bit of pressure. However, if the other markets keep moving higher, we may get to see wheat follow along as well. Now we just have to hope the basis situation doesn't become even worse thanks to the higher board.

For the open this morning, I will call corn futures 4 to 6 higher, beans 8 to 12 higher, and Kansas City wheat 4 to 6 better as the sentiment remains stronger in the grain and oilseed markets.

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