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Morning Ag Markets

Pete Loewen

Cattle and hog contracts finished the day mixed on Tuesday and unable to extend the strong gains of previous sessions. Coming into the trading session there was a significant amount of uneasiness surrounding possible hoof and mouth findings in hogs at a pork processing plant in Alberta, Canada, but the first round of tests came back as negative which made the news a non-event so far. Surprisingly there wasn't a whole lot of press surrounding the story either. Even more surprisingly yet was the fact that more than one analyst was viewing the potential development as bullish to the livestock markets?? Can't say I can remember a time when an animal or a food scare was friendly to the market, but this was apparently going to be one of them...

The true supportive factors to the trade this week in cattle are stability in the beef product trade finally and also some cash trade developing yesterday. Choice cutouts have been up on three different occasions in the last two weeks. While that may not sound like much, when you take into consideration the fact they were down for 19 consecutive days in a row through late May and early June, it is a welcome change. I wouldn't consider it a trend change yet, but it's a start nonetheless. In the cash arena, packers bumped bids in Kansas late yesterday, buying cattle at \$91, which is steady with last week. Their willingness to pay steady money and to do it so early in the week, may bode well for the later week negotiations in other parts of the country.

We probably ought to throw into this mix the positive outcome from wading through a very bearish On Feed report on Friday and still not seeing futures sinking as a result. Cash feeder cattle trade is stronger, futures are stronger, cash feedlot trade is steady and product trade has found support. I'm not sure it can all last, but I'm not going to sit here and cheer for it to go lower either. I'd much, much rather see it going up!

Cattle slg. ___128,000 unch wa unch ya

Choice Cutout __154.54 -.16

Select Cutout __145.84 -.50

Feeder Index: __110.54 +1.09

Lean Index. __79.82 +.72

Pork cutout __84.28 +.05

IA-S.MN direct avg __77.32 -1.41

Hog slg.____ 395,000 +2k wa -16k ya

Calls this morning are mixed to slightly higher in the hog and live cattle markets and 10-40 better in the feeders.

In the grains, both corn and soybean crop conditions deteriorated in Monday afternoon's report, but yet the closes in futures were almost all lower. Rain makes grain seemed to be the common theme, but the weather bulls are still at it in full force touting everything from a repeat of 93' to a big drought coming in August depending on who you read or listen to. Thankfully, nobody was listening on Tuesday and the faster everyone figures out that you NEVER should listen to or put ANY faith in extended weather forecasts- the better off we'll all be.

Overnight E-CBT trade was__ higher in wheat and lower in corn and beans. KC Wheat finished +4 1/2 to +5 3/4, Chicago -1/2 to +4, corn -1/4 to -2 and soybeans -1 3/4 to -4 1/4.

The Stats Canada acreage intentions came out this morning. Considering this release has received a significant amount of attention in recent weeks due to all the news stories about it being too wet to get things planted in Western Canada, this release is really a non-event. Surveys for the data were conducted from late May into very early June and during that time farmers were still struggling with too wet to plant conditions. Because of that, most of the trade will discount this data as intentions only- knowing that quite a bit of it will lay idle this year and not ever get seeded. The intentions showed total wheat area down 7.1% from a year ago, Canola up 10.5%, oats up .2%, soybeans up 8% and corn up .2%. One key note to point out is the fact 2009 seeded Canola acreage was a record and this year's expectation was to be up more than 10%! You don't hear those numbers being talked about much by the trade?? In the end, most likely all of these numbers will be lower, but unfortunately we'll have to wait till August to find that out, as that is the next release of acreage numbers from Stats Canada. My guess is the trade is going to continue to discount total seedings by this 8-12 mln acres that have been talked about so heavily over the last week to two weeks.

On the export front, there was talk that China bought more US old crop beans on Tuesday. For corn, they also began unloading the first shipped cargo of US product at their ports this week. The fact there wasn't any fuss about GMO issues is a positive development. It certainly opens the door for more export "potential" in the future.

The weather picture in the 6-10's is still showing above normal temps and normal to below precip, which is one more friendly tidbit that the bulls can grasp onto. One doesn't have to go any farther than the cumulative 7 day precip total maps to see that there's plenty of moisture on the ground through the Corn Belt at the moment though...

Outside markets are fairly quiet this morning, but the DOW close was nasty yesterday at nearly 150 lower. I think we'll open things very close to the overnight finish with wheat up 3-5, corn and beans down 1-3.

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