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Commodity Brokerage/Consulting

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Morning Ag Markets

Pete Loewen

Friday's finish for the futures markets housed another grinding higher close for the feeder market, mildly higher in fats and moderately higher in the hog market heading into the highly anticipated quarterly inventory report numbers that came out at 2:00. There weren't any particular highlights for the cattle complex trade and with cash wrapped up earlier in the week at \$91 and basis finally in line with the soon to be expiring June live contract it has taken some volatility potential away from the market.

Feeder cattle trade was reported firm to \$3.00 higher across the country and was stronger overall than the calf market trade. Northern buyers who still have quite a bit of last year's corn crop in the bin were reportedly the most aggressive and they typically aren't very picky when it comes to price. This is evident by the fact the deferred live contracts haven't moved up nearly as much as feeder market prices recently and corn hasn't gotten much cheaper either. Corn is obviously cheap enough though that they would rather walk it off the farm than sell it.

Cattle slg. ___ wtd 667,000 unch wa -3k ya

Choice Cutout__154.29 -.19

Select Cutout__146.05 -.68

Feeder Index:___111.34 +.38

Lean Index.___ 80.97 +.27

Pork cutout__83.85 -.41

IA-S.MN direct avg__77.16 -.35

Hog slg. ___ wtd 1.956 mln -55k wa -75k ya

Weekly closes had the june live cattle up 1.65, august feeders up 3.02 and july lean hogs were down 15 cents.

Hog and Pig report data from Friday afternoon came in very close to most of the expectations, although there is some movement expected as part of the reaction. The total inventory number came in at 96% compared to 97% guesses. Market hog numbers were 96% as well compared to 97% guesses. Breeding herd numbers were 97% and that was ½ point higher than the average trade guess.

The spring quarter farrowings were 1% below the last set of intentions at 95%. Summer intentions were 98% and the fall 99%. The summary of the findings from the report is that the immediate term picture got a little more friendly due to tighter numbers and the deferred picture looks a little more negative than expected due to less liquidation.

One other side note regarding these numbers relates to the spring pig crop numbers. There was quite a bit of rumbling in days leading up to the report regarding all the corn quality issues from last fall's crop and how that could have negatively impacted both feeding performance in market hogs and reproduction in sows. Well, the pigs per litter numbers during the spring farrowings were up 2% from last year. Therefore, it appears to have been a non-issue.

Opening calls this morning are 10-25 higher in the cattle complex and hogs should open 25-50+ higher. Expect front end hog futures to be up more than the back end.

Moving on to Friday's grain trade, closing futures showed a mildly supported bean market, mildly lower corn and an active day of selling in KC Wheat that took futures down into the double digits. Other than harvest pressure, there wasn't much of a driver for that wheat trade. July options expiration came and went without much fanfare, but deliveries starting this week could get interesting in the grains.

Weekly closes in the grains had July KC wheat finishing down 13 ½ cents, Dec corn down 20 cents and Nov beans down 18 ½.

Overnight E-CBT trade was__mildly higher in beans and mildly lower in corn and wheat. KC Wheat finished -1 to -3 ¼, Chicago -1 ¾ to -2 ¾, corn -3 ¼ to -4 ¼ and soybeans +1 ¼ to +3 ¾.

Opening calls this morning are right in line with the overnight closes in the market. Outside market action is very quiet, so the trade is going to boil down to weather, report expectations for Wednesday morning and harvest pressure in wheat. The consensus is that we might see another slight deterioration in crop conditions this afternoon, but weather is still favorable. There is also pressure from the momentum built into the double digit losses in everything last week.

Average guesses on June final planted acres are pointing towards more corn and bean acres and less wheat than the March intentions. The average guess for corn acres is 89.302 mln which would be up 504,000 from the March intentions. Soybean seedings are expected at 78.292 mln, which is up 194,000 from March. If realized, this will be the largest soybean seedings number ever and the largest corn acreage figure since 1945.

Wheat seedings are mixed between less spring wheat and more durum compared to the March numbers. Spring wheat is expected to be down 213,000 acres and durum up 37,000. If the numbers come in right at the expectations we'll be looking at corn acres that are up 2.8 mln from last year, beans up 800,000 and wheat down 5.3 mln. In the big picture that still isn't a positive for wheat. The reality of the situation is that we need to trim even more wheat acres when winter wheat is planted this coming fall.

Quite often there are some big swings in June acres numbers compared to the guesses, so we could see some big volatility come Wednesday morning.

I'm calling corn and wheat 2-3 weaker this morning, beans 2-4 higher.

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