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Morning Ag Markets

The cattle complex put on a pretty impressive show Wednesday, led by big gains in the live market and some very erratic trade in the feeders. June live cattle futures expired at noon Wednesday and went off the board at \$91.25, pretty much right on the cash trade for the week that turned very active throughout the South as well as Nebraska Wednesday. The Southern live trade was done at \$91, steady to \$1 better than some of the \$90 Kansas business from Tuesday, and also just steady with last week. Nebraska saw dressed sales steady at \$146 to \$147 and live business steady to \$1 higher at \$91-\$92. It was a bit surprising to see the buying interest show up in the live market Wednesday, especially after Tuesday's sizeable losses that were tied to some heavy outside market pressure. I suppose we may have been a little oversold after Tuesday but I was still surprised by the big gains, with not much else out there to cite as a reason, although the sharply higher corn move was touted in a lot of market commentary.

The feeder trade was all over the place Wednesday, going from triple digit losses in the electronic trade following the release of the corn numbers in the morning to seeing near triple-digit gains at times during the day session. We did back off somewhat into the pit close, but it was fairly encouraging to see the feeder market take more cues from higher fats than limit up corn.

Cattle slaughter	129,000	-1k wa	+2k ya	Hog slaughter	403,000	+4k wa	-15k ya
Choice Cutouts:	155.56	+44		Select Cutouts:	146.67	-.01	
CME Feeder Index:	111.42	+08		Lean Hog Index	81.11	-.07	
Pork carcass cutout value	81.80	-.86					

Calls this morning in the cattle complex are just mixed as the electronic trade overnight and this morning has been very choppy, with the front end of the live and feeder market trying to show some strength. Most of the cash fed cattle trade should be wrapped up for the week, with steady money catching most of the business. News should be relatively light as we head into the long weekend and we may start to see the trade slow down quite a bit, likely leading to some choppy moves over the next two sessions. For the open this morning, I will call live cattle 10 lower to 10 higher and feeders maybe mixed to 15 lower, with the front months on both the strongest.

Moving over to the grain markets, the June acreage report was the big news and the trade was caught off guard by a much smaller than anticipated corn number, sending the market limit up shortly after the open and we held solid gains throughout the day. The acreage guess was a little less friendly beans and a higher open turned into a sell-off later in the day, although the front end was supported from a friendly quarterly stocks number. The wheat market got bearish numbers on the reports but managed big double digit gains on the back of the strong corn trade in just some pure short covering.

Overnight electronic trade last night was mostly higher with corn 1 ¾ to 2 ¼ higher, beans 1 ½ to 3 ¼ higher, and Kansas City wheat ½ lower to 1 higher.

Well there was definitely no lack of excitement in the grain trade yesterday, obviously led by the near-limit up finish in the corn market in the wake of a surprisingly smaller acreage estimate as well as quarterly stocks. No need to re-hash those numbers, as you all have heard them by now and saw the result. The corn market had been under such severe pressure that a lot of the shorts were caught off guard by the numbers and raced for the exits Wednesday, keeping us near the 30-cent limit throughout most of the session. Those quarterly stocks numbers also kept some support under the front end of the

bean market, although we sold off quite a bit there after the higher open. The bean acreage number yesterday morning helped pressure new crop futures, which fell to double digit losses late in the session, taking November down below the \$9 level briefly. The wheat market played tag-along with corn, as all the wheat numbers should have been on the bearish side yesterday morning, yet the wave of short covering took us to big gains on the day.

Getting back to those quarterly stocks numbers from yesterday since the acreage estimates got most of the attention-the corn stocks number was 288 million bushels below the average guess. There are a couple theories there, one being it is simply the USDA accounting for overstating the crop last year and the other is for the increased movement of a lower quality crop to feed. It doesn't really matter in the end-the bushels disappeared. On-farm stocks were drawn down 2.4 billion bushels in the last quarter as the producer moved corn; with that number likely larger than it would have normally been thanks to difficulty in keeping grain in condition. Bean stocks were 23 million less than expected and most attribute that to an overstated crop last year as well, since bean usage is a little easier to monitor than corn, but once again, it doesn't really matter. The tightening stocks numbers definitely highlighted the need for another solid production year for corn and beans, and the market will likely be a little quicker to react to any potential threats to production. The bulls definitely got some ammo yesterday with the numbers and it couldn't come soon enough as the corn market had been in a pretty tough slide as we made new contract lows ahead of the report. My guess is we see those lows hold up very well for now, unless we see some other sort of outside meltdown.

Weekly export sales data released this morning wasn't really overly impressive, as some had been expecting another monster corn number. Corn sales came in at 25.6 million bushels, well under the range of guesses from 31 to 55 million. There were no China sales in the report, although there were several cargoes rumored to have been sold yesterday, but nothing confirmed. Bean sales came in at 9.7 million bushels old crop and 16.6 new, with the total surpassing the pre-report guesses of 15 to 19 million bushels. China was the bulk of the new crop business and they remain fairly active in old crop as well. Wheat sales tallied 15.4 million bushels, near the top end of guesses from 12 to 15 million. All in all, nothing in the export sales report this morning to push us big in one way or the other, although the corn number was a little disappointing.

Other news is pretty light with the overnight trade fairly subdued in the wake of yesterday's fireworks. The outside market influence is mixed this morning, with crude oil about a \$1 lower while the U.S. dollar is seeing some sharp losses. In the wake of yesterday's reports, the corn market will get most of the attention as it has been deemed the leader of any bull moves in the near future. Amazing how fast we can go from new contract lows to newfound bullishness, but that is the nature of the beast. I didn't spend much time talking about the wheat market, but there really isn't anything new. You all know the fundamentals are bearish, but there are still a pile of short spec positions in the wheat markets and if corn keeps ratcheting higher and we see the grain shorts head for the exits in general, we will see wheat move higher in a move that will be the exact opposite of what the fundamentals tell us. Unfortunately that would translate into this basis situation not really seeing much improvement, as the futures market would be moving even further away from what the world market tells us is the true value of wheat right now.

Calls this morning are mixed to a little better as we get closer to the long weekend. I wouldn't be surprised by some additional short covering, but I'm not sure we're in for another day like yesterday in corn and wheat. That \$3.85 to \$4 area on December corn is still going to provide some pretty stiff resistance without weather issues developing, but a hint at problems and we could get there in a hurry. For the open this morning, I will call corn futures mixed to maybe even a penny or 2 lower, beans steady to maybe 1 or 2 higher, and KC wheat mixed to 2 lower.

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