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Commodity Brokerage/Consulting

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Morning Ag Markets

The cattle complex actually held in there fairly well all things considered on Thursday, with live cattle futures finding their way to a mixed close while feeders were moderately lower. The outside markets looked poised to provide some major pressure again as the DOW continued its downward spiral and the energy markets were sharply lower as well. With just some light clean-up cash trade Thursday in the South at levels steady with Wednesday's trade, there wasn't much out there for news. It looks like there was just enough carry-over strength from Wednesday's gains to keep us pretty well supported on a day when most other indicators pointed lower. Feeders did end up that way, likely feeling some additional pressure from another jump in corn futures. The losses weren't too severe and we are still hanging in there near the top end of this recent seasonal move higher.

If this week's trade has shown us anything, it should be the fact that our economy still isn't on what I would call stable ground. The DOW has come down nearly 1300 points in the past two weeks, perhaps indicating maybe things aren't quite as rosy as some would have you believe. The problem is that uncertainty doesn't do anything to help improve our middle meat demand, which we need to sustain higher cattle prices over the long term. Everyone knows the supply side is very friendly, and things could really get fun if we could ever convince ourselves the economy really was on the mend, but so far that really hasn't come into play.

Cattle slaughter Thursday 129,000 +1k week ago +3k year ago
Choice Cutouts: 155.62 +.06 Select Cutouts: 146.96 +.29
CME Feeder Index: 111.48 +.06 Lean Hog Index 80.91 -.20
Pork carcass cutout value 82.32 +.52
Hog slaughter Thursday 404,000 +10k week ago -7k year ago

Calls this morning in the cattle complex are mixed to a little higher, led by feeders, as the electronic trade is leaning that way. The feeder market remains in a strong seasonal upward trend while the live market seems pretty resilient at this point considering the recent equity market struggles and poor economic data. I guess I'll take that as a good sign for now, but it does make me a little leery down the road. Cash business should be wrapped up for the week and I would imagine the trade will be pretty choppy heading into the long weekend. For the open this morning, I will call live cattle futures 5 to 15 higher on the front end while feeders are called 20 to 30 better.

Moving over to the grain markets, the trade couldn't be much more choppy than it was Thursday, with a pretty much unchanged open giving way to slight losses before we really turned around midday and corn and wheat shot to double digit gains while the bean market was a little more subdued. The outside market influence was very mixed with the U.S. dollar extremely weak, as were the energy markets. With little other news, it looks like it was just more short covering in corn and wheat that took us to the gains, while beans were still stuck spinning their wheels.

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

It looked like things were ready to settle down a bit in the early going Thursday with some two-sided trade seen for a while as the grains tried to figure out which way they needed to go. The outside markets were offering a very mixed message and we were still dealing with the aftermath of

Wednesday, so there were plenty of things to take into consideration. In the end the short covering took over again for corn and wheat as we took an impressive midday jump and held double digit gains again for both into the close. Soybeans were able to bounce nicely off their lows of the day as well and finish higher, although the enthusiasm wasn't there that we saw in corn and especially wheat. We have mentioned repeatedly the large amount of short spec positions still in the wheat market and their exodus make it pretty easy to jump to gains, fundamentals aside.

Fresh news is really pretty light this morning and I would guess we will see some mixed action on the board today as traders look to even up heading into the long weekend after what has been a very active week. Wednesday's report clearly changed the picture for the corn market, but we may have already put back in enough premium to account for those numbers, at least for now, as we start to push up against some major resistance. Weather will still be the key moving forward-good weather means we have enough corn, bad weather means there is room for corn to move a lot higher thanks to our ever-growing demand base. Forecasts right now bring the rain back to most of the Midwest starting early next week and temperatures look pretty reasonable as well. That will put us well into July without any heat or dryness worries across the Corn Belt. The biggest weather issues remain the heavy rains and flooding from the past month or so, but outside of the affected areas we are still looking at some excellent production potential.

Well I'm sure the wheat market action as of late has a lot of you out there shaking your head and probably making comments about how all the analysts on the radio got it wrong when it comes to wheat prices as we have shot higher right in the middle of what has turned out to be an excellent harvest. Is it because of some newfound demand? Less wheat around than we thought? Neither. I mentioned it earlier, but the amount of big short positions in the wheat market is the sole reason we have seen the recent gains. The July contract is approaching expiration before too long and those shorts are looking for the exits. We have also seen spillover support from corn and just short covering in general tied to all the grains, especially after Wednesday's report. Reports out of the country during harvest indicate a slow farmer sales pace, meaning there isn't much harvest pressure on the market to help offset that short covering from the specs. The result? The big futures gains seen recently. Hopefully everyone is staying on top of their basis situation, evaluating storage with the current carry offered in the market, and taking advantage of any opportunities that present themselves. If you are storing unhedged grain solely looking for prices to go higher, you are making a mistake. You may be right in the end if we continue to rally, but if price forecasting is the only thing influencing your decision to store wheat, you better re-evaluate your marketing. If anyone doesn't understand that or would like to argue that point, feel free to give me a call.

Well with no fresh major news out this morning there really isn't much else to discuss. Opening calls will be very mixed and I would expect the choppy trade to continue. The outside markets are giving mixed signals again, so not much help there when it comes to making calls. Also, don't forget there are no markets Monday as we observe the Independence Day Holiday. For the open this morning, I will call corn futures 1-3 lower, beans 1-3 higher, and Kansas City wheat 2 lower to 2 higher.

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