



## ***Loewen and Associates***

***Commodity Brokerage/Consulting***

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### **Morning Ag Markets**

The cattle complex closed out the week on a mixed note last Friday, with live cattle futures finishing a little lower while feeders held on to slightly higher closes. There really wasn't much cattle market-specific news on the day, as the cash fed cattle trade was already wrapped up for the week and most were looking ahead to the long holiday weekend. There was some additional outside market pressure throughout the session Friday, with the equity markets continuing their downward spiral to close out the week. It was actually a little encouraging to see the cattle markets hold up like they have over the past couple weeks with the DOW losing nearly 1000 points amid a string of poor economic reports. For as much time as we spend harping on the impact of the economy on overall beef demand, the market sure doesn't seem worried, at least for the time being.

As we kick off a short week this week, traders will be mulling over weekend clearance numbers, trying to get a gauge on demand over the Holiday weekend. The heat wave on the East Coast and the rain in the Midwest may have hampered that a bit, but we'll see what things look like today. Last week's mostly \$91 cash in the South may have only been steady, but it is still at a decent premium to the now spot August live contract and with most early week cash calls around steady, the board should find a little support. As for the feeders, Joplin did hold their weekly sale yesterday, with some cattle starting to come in off grass. The calves and yearlings were called steady on the week, so no major activity there to drive us this morning as buyers were likely a little cautious with no futures markets Monday.

Cattle slaughter Friday 129,000 unch week ago +14k year ago

Choice Cutouts: 155.40 -.22 Select Cutouts: 146.49 -.47

For the week, August live cattle were 10 cents higher and August feeders 52 cents lower.

CME Feeder Index: 111.22 -.26 Lean Hog Index 80.77 -.14

Pork carcass cutout value 82.42 +.10

Hog slaughter Friday 365,000 -31k week ago +133k year ago

Calls this morning in the cattle complex are going to be a little stronger, with the electronic trade still holding that way this morning after being lower at times. Help is coming from the outside markets, with stronger DOW futures, higher energies, and a weaker dollar lending a hand to the higher trade. The front end of the live market looks the strongest for now and we'll just have to see how it plays out returning from a 3-day weekend into a short week. For the open this morning, I will call live cattle 30 to 50 cents higher with the front end strongest and feeders maybe 10 to 30 higher to start.

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Moving over to the grain markets, we closed out a wild week with just some mixed trade in corn and beans Friday, although the front end of the bean market found a little late buying that sent us to some decent closes. Weather forecasts weren't threatening heading into the long weekend and most seemed content to stand on the sidelines after a pretty eventful week. Kansas City wheat futures continued their run Friday, as more short covering sent us higher despite a fairly bearish production estimate from Informa Friday morning.

For the week last week, December corn was 24 cents higher, November beans 6 ¼ cents lower, and September KC wheat 21 ¼ cents higher.

Overnight electronic trade last night was mixed with corn 4 ½ to 6 higher, beans steady to 3 ¼ to 4 ¼ higher, and Kansas City wheat 10 ¾ to 11 ¾ higher.

Well there is always a little uncertainty heading into a long 3-day weekend and that seemed to be reflected in the markets as traders finished cleaning up business Friday. The weather over the weekend had something for everyone, which included more heavy rains in parts of the Western Midwest while the East stayed pretty hot and dry. There is probably a little concern creeping into the market when it comes to the drier pattern in the East, but the maps this week look fairly promising with cooler temps and above normal precip. As for the West, flooding problems will persist in a some low-lying areas but there is going to be some outstanding potential in the areas not affected by flooding. This weekend's rains may have put a damper on 4<sup>th</sup> of July celebrations, but ask any old-timer what a 4<sup>th</sup> of July rain does for a corn crop, especially one that has seen some pretty solid conditions since the early planting season. Now don't get me wrong, there are still some serious flooding issues in some areas, but big yields elsewhere can go a long way in making up for that. Weather will still be the key for corn and beans over the next few weeks, and for now forecasts sure don't show any threat of hot or dry across the Midwest. We could stand to see some rain in the East, but the chances are definitely there in the coming days.

The big story heading into this morning's trade is the wheat market, which found some notable strength last night on talk of some dryness in parts of Europe, potentially threatening production. At this point from an actual world supply standpoint it should be a non-issue, but with so many short positions still in the wheat markets, any type of news like that draws a quick reaction. With a large number of those short spec positions left, I'm not sure how much more pop we can see out of the wheat market. The great thing is it is coming at a time where more producers should be poised to take advantage of it as we move toward the downhill side of what should turn out to be a little better than expected harvest. Looking ahead to this fall, if the board continues this pace, we will be looking at July 2011 wheat futures near the \$6 mark. Even with a \$1 under basis, that is \$5 cash wheat and we're back to wheat looking somewhat attractive to plant for many folks. With U.S. wheat carryout right around 1 billion bushels, the last thing we need to do is expand wheat acres. Now, if we do see some sort of a crop failure in Europe and the problems continue in Canada, the U.S. will need to pick up some of the slack. However, it is going to take some major issues to cut much of a chunk out of a billion bushels in ending stocks. I guess what I'm getting at is if the market tells you to plant wheat this fall, you better figure out how to manage the price risk if the market is offering you decent returns when you make your planting decisions.

Well other news is actually fairly light as we kick off the short week, with the bulls having a leg up after the overnight action. Weather is getting most of the attention for all the markets, which is usually the case this time of year. Corn because of potential problems in China and a little dryness in the Eastern Midwest, which is also helping beans, and wheat because of European concerns as well as Canada's problems so far this growing season. Of course there are still nearly daily rumors and stories about more Chinese corn and bean purchases, which always gets everyone excited. Throw in some outside market support like we have going this morning, and the recipe is there for higher trade. The big question will now be, can it hold?

For the open this morning, I will call corn futures 3 to 5 higher, beans 2 to 4 better, and Kansas City wheat maybe as much as 8 to 12 higher.

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