



Loewen and Associates

Commodity Brokerage/Consulting

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Date: 07.12.10

Morning Ag Markets

Pete Loewen

The livestock complex ended the week on a sour note for Friday's action, but for the week things were steady to a little better. Cash-wise the hogs finished just two cents shy of unchanged from the previous Friday's close, pork cutouts were up slightly more than \$1.00. Cash feedlot trade in the cattle was up in the range of \$1.50 higher on the top end in the Southern Plains. Choice beef cutouts were down \$1.03. In the feeder cattle and calf trade, prices were reported at \$1.00-\$3.00 higher in the South and anywhere from \$2.00-\$5.00 higher in the Northern Plains and Southeast markets. Farmer/feeders dominated the northern trade, but the highlight for the week was the 346,000 head offering from the Superior Video sale. For some of the prices that were being reported this week on both spot sales and late summer or fall delivery off of grass you would think corn was 50 cents lower and deferred fats \$5.00 higher, but they're not! Instead, corn is knocking at the door of \$4.00 on new crop and deferred cattle futures have come up much slower than the feeder cattle trade recently. That's a LOT of optimism brewing if you ask me...

Cattle slg. ___ wtd 598,000 -66k wa -36k ya

Choice Cutout__154.37 -.24

Select Cutout__144.68 -.37

Feeder Index:___113.94 unch

Lean Index.___79.39 -.47

Pork cutout__83.63 +.69

IA-S.MN direct avg__75.57 -1.03

Hog slg. ___ wtd 1.716 mln -256k wa -234k ya

Weekly closes in the livestock market had August live cattle up 72 cents, august feeders up 52 and august hogs down 2 cents.

Live Cattle feedlot leverage was obviously better than we anticipated last week, but there is also a formidable force working against this short term trend and that's the seasonality of softer demand in the summer months. Cash moving higher and cutouts moving lower aren't doing packer margins any favors and unless choice and select quotes can miraculously recover with no major holiday's on the immediate horizon, don't expect any strong continued gains on the cash front. I think it will be great if we can hold things close to steady, but the

odds probably favor slight weakness and a pullback into eventual lows in the upper \$80's between now and the end of August.

In the grains, there were a lot of surprises in Friday's USDA Crop report data that included higher than expected stocks compared to the pre-report estimates in everything, but still tight old crop bean and new crop corn numbers in a big-picture sense. Grains didn't open quite as weak as expected and beans actually finished higher across the board. Corn tried to gain traction, but still settled mildly lower. Wheat was down near the double digits lower.

No matter how you looked at the report there was no way of getting around the persistent wheat bearishness. It's just bad- and I say that despite the fact it has come up more than 50 cents from the early harvest lows already. I'm not complaining about that though because it has given farmers a breath of hope from the opportunity to make some sales well off the lows that were printed leading into harvest. The problem though is that basis hasn't improved at all with this rally and it likely isn't going to either.

Weekly grain market closes had dec corn up 10 ¾, nov beans up 47 ½ and dec kc wheat was up 37 ¾.

Overnight E-CBT trade was__ mixed with KC Wheat +3/4 to -3 ¾, Chicago -2 ¼ to +1, corn -1 to +3/4 and soybeans -1/2 to -3 ¼.

Calls this morning in the grains are coming in mixed in most of the newswires, but I'll give them a friendly bias on top of those calls. Technical trends have definitely turned in favor the bull. Corn market fundamentals have turned the corner for the bull as well with carryout projections no longer comfortable without a big crop in the bag. The reduction in acres versus the pre-report estimates on Friday and the June reduction in quarterly stocks turned the tide and now the next major task will be whether new crop futures can break through the \$4.00 barrier?? There will be a massive amount of hedge related selling tied to that target. By the same token though, if we get up past that mark, there will also be a significant amount of buy stops sitting above that level.

So, the major task appears to be getting corn up to \$4.00 and if it gets there it might be an easy road to another 10-20 up from that point. The difficulty is getting there!

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