



## **Loewen and Associates**

**Commodity Brokerage/Consulting**

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## **Morning Ag Markets**

**Pete Loewen**

It was an interesting friendly day for the livestock markets on Tuesday. Cattle complex futures felt the full brunt of the bullishness going on in the outside markets. The DOW was up more than 100 most of the day and corn was under pressure also. That helped push feeders into triple digit higher levels and the live market up nicely as well. A healthy stock market is translated into a healthy economy and therefore more middle meat demand, but I'm not buying it! I'm still a firm believer that there is nothing friendly about our domestic economic picture and that it gets worse every time there is a new handout, bailout or new program developed that involves more government spending. Keep in mind, every bit of this spending is deficit spending and at some point in time we have to service this debt, which means dramatically higher taxes. It is hard to imagine the stock market having 5 digits in the quote when this all finally comes home to roost and reality hits. The question is "when"?

Days like Tuesday and every other day that the economy bulls are driving things up, it is hard to stop the spillover outside money flow into some of the ag markets. Yesterday it just so happened to be the cattle that caught that spillover. Not that it's a bad thing, because I would much rather see cattle going up than down, but I'm also a firm believer that the livestock markets in particular are on very shaky ground if and when those outsides start to melt down.

Cattle slg. \_\_\_ 131,000 +1k wa +4k ya

Choice Cutout \_\_\_ 154.46 +.09

Select Cutout \_\_\_ 145.67 +.50

Feeder Index: \_\_\_ 113.46 +.16

Lean Index. \_\_\_ 79.05 -.28

Pork cutout \_\_\_ 82.12 -1.52

IA-S.MN direct avg \_\_\_ 74.68 -.36

Hog slg. \_\_\_ 393,000 -19k wa -9k ya

Overnight electronic trade in livestock futures has been mixed and the calls are mixed this morning as well. One positive factor that the hogs have going for them is the strong three day spike in belly values that has added \$5.00 to their price and has cash bellies over \$113. Bellies were very stagnant coming into the month and up till late last week, but evidently the

BLT season has now kicked in full force. That's par for the course considering my tomato crop just kicked in too, which is going to coincide with higher bacon prices!!!

Despite the fact cattle were up nicely grain futures were the real surprise of the day, specifically the wheat. We had better corn conditions and worse bean conditions in Monday afternoon's crop condition report and they both reacted accordingly, but wheat was up in the double digits. We'll attribute that to more short covering by the funds, because the fundamentals have zero bullishness tied to them still. None!

If you want to dispute that comment/opinion, just keep in mind that at the end of this current marketing year, half of what we harvested in the United States this summer will still be sitting in the bin when next summer's harvest starts. Plus, with next year's new crop futures well over \$6.00 there is plenty of incentive to plant a lot of acres this fall as well.

Overnight E-CBT trade was\_\_ mixed with a slightly lower bias on the front month July contracts which expire today. Deferred contract months were mostly higher in everything, but not by much. KC Wheat finished -1 to +2  $\frac{3}{4}$ , Chicago -2  $\frac{1}{4}$  to +1, corn -1/2 to +1  $\frac{3}{4}$  and soybeans -1  $\frac{1}{2}$  to +4  $\frac{3}{4}$ .

In the extended weather forecast, 6-10's have the temps favoring the bull, but the precip is favoring the bear, so that is a net wash. Last night's run showed above normal temps, but normal to above precip as well. The continued persistent talk about ridging potential is almost like listening to people who WANT to see a drought develop. I suppose in reality, all farmers want to see one because of the higher prices it creates, they just don't want to see one develop in their own backyard, but that's not how it works. What they fail to realize is that big production and lower prices is generally more financially favorably overall than bad production and high prices.

The technical aspect of the grains still heavily favors the bull with the largest strength showing in the wheat charts. Long term downtrends have been reversed and long term moving averages violated as well. With wheat futures movement driven primarily by continued short covering and certainly not by ANY fundamentals, there may still be some upside left in this picture. Given the fundamentals though, don't get too wrapped up in the bullishness of this market. This isn't an opportunity to buy or to re-own wheat sales, it's an opportunity to continue incrementally selling old crop and also maybe to start working on next year's new crop.

I'm calling things mildly higher this morning with wheat and corn 1-3 better, beans 2-4 higher.

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