



Loewen and Associates
Commodity Brokerage/Consulting
Pete Loewen, Tim Strunk, Matt Hines
866 341 6700
www.loewenassociates.com

Date: 08.25.08

Morning Ag Markets

Pete Loewen

After crude being up more than \$5 on Thursday and the dollar much weaker, both those markets did an about-face and finished in the other direction on Friday. It wasn't just in a minor fashion either, crude did it in big way finishing down \$6.57 at the close. The spillover effect in the grains was strikingly evident with limit gains in some contracts Thursday and steep losses on Friday.

Cattle futures were fairly quiet on Friday, already braced for COF report numbers that were coming out in the afternoon. With the bulk of the cash trade behind the market earlier in the week, there wasn't much follow through from that earlier action aside from a mildly higher front end close and a weaker back end in anticipation of the same type numbers coming from the report data. The weak back end action was attributed to placement guesses with a top end range of 117%. The market had already taken a significant amount of premium out of the deferred futures months in anticipation of the first higher placement figure since March. However, what happened in the report was a shocker.

On Feed numbers came in within a ½ point of the pre-report guesses at 96% of a year ago. Marketings during July were ½ point lower than the guesses at 102%. Placements during July are what will move the market today. 102% was the actual placement total and that compares to 106.5% avg guesses. Considering July also had one more business day than the previous year, placements were actually lower on a day for day comparison. That would skew the marketing number down to below year ago levels as well when compared on a day to day basis. While I don't think the marketings figure will have any impact either way on the front end of the market, the placement data should have a nice bullish impact on the October and December live market.

Don't misconstrue this as being longer term wildly bullish to the deferred futures months though. Remember that the midyear inventory report cited 300,000 head of additional cattle outside of feedlots than the previous year. If there's any accuracy to that report at all, there is a wall of cattle set to hit feedlot pens sometime this fall and if it didn't happen with Friday's report, it's coming over the course of the next 2-3 reports down the road.

Cattle slg. __ wtd 667,000 -15k wa -23k ya

Choice Cutout_160.78 -.74

Select Cutout__155.19 -1.29

Feeder Index: __113.21 -.05

Lean Index.__88.43 -.15

Pork cutout__88.86 -1.45

IA-S.MN direct avg__81.36 -1.76

Hog slg.___ wtd 2.231 mln +88k wa +158k ya

For the week, August live cattle were up 17 cents, august feeders were down 1.05 and October lean hogs were down 1.90.

Calls this morning are 10-20 lower in hogs, mixed in feeders and very unevenly mixed in the live cattle. By “unevenly mixed”, I mean front end futures could be mildly higher, Oct and Dec stand to be 50-100 higher and back months should be just mild to moderately higher.

In the grains, despite some ugly closes from Friday’s session the weekly gains were steep, which emphasizes just how much the overall momentum through the week was towards higher money. The wheat market hung right in there with corn and beans and although the overall weekly change wasn’t as steep, seeing gains near 40 higher in a market that is as bearish as wheat is a tough one to analyze, but it’s a great thing for the farmer that’s trying to make the decision whether or not to plant any this fall or not. The strong carry between Dec, March and May creates a very solid picture that fundamentals in wheat aren’t bullish at all, but speculators and big money traders are ignoring the fundamentals at the moment.

If you’re a wheat farmer, this is called “opportunity”, so don’t miss out on some of it! That statement applies to old crop wheat that’s in the bin right now and evaluating capturing some of this big carry, or for the new crop hedger who had the potential to lock in \$10+ wheat last week in July KC.

Weekly closes had December corn up 57, November beans up 1.08, December KC Wheat up 38 cents and July up 42 cents.

Overnight E-CBT trade was__ higher with KC Wheat +7 ¼ to +14 ¼, Chicago +9 ½ to +12 ¼, corn +10 ¼ to +14 ¼ and soybeans +34 ½ to +38 ¾.

The sharp jump in overnight trade I’m sure was tied to weekend weather that was still dry in a few areas of the Corn Belt and harbored temperatures in far northern Minnesota and Wisconsin that were right at 32 degrees. I want to remind you that those temperatures were in areas that were miles and miles away from major crop producing areas, but the market is still grabbing a hold of the actual news and running with it due to the lateness of this year’s crop. I just think the gains were a little exaggerated.

Opening calls are 30-40 better in beans, 10-15 higher corn and 5-15 better in wheat.

Pete Loewen, Tim Strunk, Matt Hines

Loewen and Associates, Inc.

www.loewenassociates.com

peteloewen@cox.net

timstrunk@cox.net

866 341 6700

IMPORTANT—PLEASE NOTE

This does not constitute a solicitation to buy or sell commodities futures and/or options. The information contained herein is provided for informational purposes only. The information is not guaranteed as to its

accuracy or completeness, although the information was taken from sources we believe to be reliable. The market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading commodity futures and options. The risk in trading can be substantial; therefore only genuine "risk" funds should be used.**