



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

Date: 8.26.08

## **Morning Ag Markets**

The cattle complex was just mixed to start the week, with the winter live cattle contracts showing the most strength thanks to a much lower than expected placements figure on last Friday's cattle on feed report. Spread activity made up most of the trade and the result was front months that finished just barely in the green while the deferreds had some modest yet uninspiring gains. Early week cash calls are for steady to maybe a dollar higher, with some hoping we put the cash low in last week and we can now maybe start the fall rally that is so widely anticipated based on thoughts of fewer numbers of ready cattle coming out of feedlots. Showlists do look to be a little smaller to start the week and if we can keep cutouts stabilized and not let the board slide, we should stand at least a shot at higher money later this week, as hopefully feedlots will be a little better about digging in their heels and holding out for better bids after throwing in the towel early last week.

The feeder market had a few months post lower closes yesterday, despite a key reversal in the corn market after a sharply higher open. We did see a little weakness in the country Monday, with Oklahoma City called \$1-\$2 lower and Joplin anywhere from steady to as much as \$5 lower on some classes of cattle. Last Friday's placements tally on the cattle on feed report indicates we likely have a few more feeders coming at us in the next couple of months, since we didn't see the sharp jump in July that was expected. Those cattle are staying out on grass a little longer and will eventually show up in the lot, it may just take a little longer than first thought.

Cattle slaughter Monday 127,000 -6k week ago unch year ago

Choice Cutouts\_161.62 +.84  
Select Cutout\_\_ 154.42 -.77

CME Feeder Index:\_\_\_113.53 +.32                      Lean Hog Index 87.79 -.64

Pork carcass cutout value 87.72 -1.14

Hog slaughter Monday 431,000 +3k week ago +27k year ago

Calls this morning in the cattle complex are a little on the higher side, with the live market maybe finding some support from thoughts of greater stability in the cash market as most are looking for steady to a \$1 higher on this week's cash. The deferred fat contracts may struggle a bit in the early going today given the sharply lower corn calls, as there has been a direct correlation between the two lately. Those same sharply lower corn calls should hopefully add a little support to the feeder market this morning, leading to the higher calls. For the open, I'll call live cattle 5 to 15 higher and feeders 20 to 40 stronger to start the session.

Moving over to the grain markets, we were higher across the board at the open Monday after some nice gains overnight Sunday, but the wheat market soon sold off hard in a technical setback aided by moisture that fell in the U.S. hard red wheat belt as well as rain in the forecast for Australia and Argentina wheat country. The corn market also moved lower on the day in a key reversal, selling off after a sharply higher open. Soybeans fell well off the day's highs as well but still managed to post double digit gains as there are still some lingering concerns over production potential and cash beans heading into harvest are getting tight.

Overnight electronic trade last night was lower with corn 9 ½ to 12 lower, beans 29 ½ to 36 ¾ lower, and Kansas City wheat 23 to 27 ½ lower on the more active months.

Well 24 hours ago things looked pretty promising to start the week for the grain markets after stronger Sunday night trade, but now all that has changed with a lower turn on the board yesterday for corn and wheat and now soybeans joining in on the big losses overnight last night. Weather forecasts haven't changed that much since Sunday night, with some portions of the Midwest slated for rain but no widespread events on the immediate horizon after much of the Corn Belt missed the weekend rains. Hard to pin blame for the losses overnight on just one factor, but I really think the outside market action had the most influence, with the dollar rallying sharply and crude oil backing off once again. It is a little scary how closely related those markets have become, but it is a reality we are faced with and you have to learn how to deal with it, as it likely isn't changing.

Crop Progress reports yesterday showed a slight decline in conditions, which had been expected as some areas of the Midwest have really started to dry out. 64% of the corn crop was still rated good to excellent, down from 67% last week but still better than the 59% last year. Maturity is still behind, with 26% of the crop in the dent stage compared to 58% last year and 47% on average. Luckily there doesn't appear to be any crop threatening cold in the forecasts for at least two weeks, and it will need to stay that way for quite a while yet to get us out of the woods. The soybean crop was rated 61% good to excellent, down just one point from last week and still 6 points ahead of last year. Most of the talk from the country is centered on the bean crop going backwards faster than corn, so it was interesting to see corn conditions fall off more than beans this week.

The Kansas City wheat market has now given back a big chunk of what was gained last week, perhaps proving that last week's rally was overdone and there wasn't much reason for the extent of the gains. There is still nothing overly bullish about the current wheat market fundamentals and now that there are some rains in the forecast for Argentine and Australian wheat country the selling has really picked up. Conditions also remain favorable in much of the U.S. hard red winter wheat belt as we get closer to the crop going in the ground, adding some additional pressure.

Calls this morning are on the lower side after the ugly trade last night and the continued influence from the outside markets, although that picture has changed a little in the past hour or so, with crude oil coming well over \$2 off of the lows scored overnight. You can tie that directly to the fact there is another hurricane bearing down on the Gulf and it looks like it may be a big one, with some forecasters saying category 5 by the weekend when it moves into the Gulf. The higher dollar index this morning is still bearish grains and the technical picture for the grains isn't all that pretty, but if crude really takes off the grains should catch a little help. For the open this morning I'll still call corn futures 6 to 10 lower, beans 20 to 30 lower, and Kansas City wheat 15 to 20 lower.

# Tim Strunk

Loewen and Associates, Inc.

**866 341 6700**

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