



## ***Loewen and Associates***

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Date: 3.2.10

### **Morning Ag Markets**

The cattle complex was mostly higher to start the week, with the nearby April live contract posting the only lower close Monday in both the live and feeder pits. The live cattle futures trade was fairly quiet throughout the day with some pre-Goldman roll spread activity supposedly accounting for the weakness on the front end. I suppose there is also still some uneasiness about this week's cash business after the pullback last week and thoughts we may be ready for a little breather on that side of things. Cutouts still held in there Monday though with choice now back over the \$150 mark, although I still think it will be pretty tough to muster much better than steady money on this week's cash at the current pace. Packers didn't get many cattle bought and may need to come to the table early again, so who knows when to expect cash trade after we were all surprised a week ago today when we saw most of the cash trade for last week done on a Tuesday.

The feeder market bounced back nicely to start the week, pretty much erasing all of last week's pullback in one big move. We are now back close to contract highs on several months with Monday's strength attributed to the corn market pullback as well as more strength in the cash feeder trade to start the week. Oklahoma City saw another big run of cattle with the lighter stockers naturally seeing the strongest trade, called anywhere from \$1 to \$4 higher. The true feeders were pretty much steady, but the market for the little guys headed to grass remains very stout. Too stout in many cases for the guy trying to make them work, but that doesn't seem to bother most people. Joplin had a big run Monday as well, with about 3000 more head than last week and about double the receipts seen a year ago. The lighter cattle were steady to \$3 higher while the heavier cattle were actually just steady to a \$1 lower in some cases.

Cattle slaughter Monday 122,000 -2k week ago +6k year ago  
Choice Cutouts: 150.34 +.38 Select Cutouts: 149.50 -.06  
CME Feeder Index: 101.27 -.09 Lean Hog Index 69.12 +.58  
Pork carcass cutout value 73.71 +.32  
Hog slaughter Monday 429,000 +4k week ago +12k year ago

Calls this morning in the cattle complex will be mixed to maybe a little better as we try for some follow through in the feeders to see if we can break into new highs. Today will be fairly important from a technical aspect, as a close into new highs may open the door to some more room for feeders to move higher. However, it is likely going to take the live market coming around as well to sustain the gains and it has just been acting a bit tired lately, with narrow range-bound trade seen since the pullback early last week. After a 5-year low in total numbers of fed cattle sales in all major feeding areas last week, we could see some early week business again, although there aren't many bids floating around and certainly nothing close to the \$93 or \$94 asking prices. For now I will still stick with a steady at best cash guess and actually wouldn't be too surprised if we leaked a bit lower again. For the open on the board this morning, I will call both live and feeder cattle futures mostly mixed to maybe just 10 or 15 cents higher, with the electronic trade starting to weaken up a bit as we get closer to the open.

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Moving over to the grain markets, it was a bit of an odd start to the week with corn and wheat futures finding some notable selling pressure while soybeans managed to hang around unchanged to slightly higher most of the day. There was some outside market pressure but other news was fairly light and

those who bought corn and wheat last week while selling beans seemed to be on the other side of the trade Monday.

Overnight electronic trade last night was mixed with corn ¼ lower to ½ penny higher, beans ½ penny lower to unchanged, and Kansas City wheat ¼ lower to 1 higher.

Well after a very positive end to the week last week for corn and wheat, we saw just the opposite Monday by way of some ugly outside day reversals that will make the bulls think twice. The fund buying presence from last week just wasn't there Monday and some of those weaker new longs likely were stopped out or threw in the towel as the reversal developed. There was talk of some first of the month index fund allocations that would help us Monday, but that obviously wasn't the case. The soybean market was able to hold a little better to start the week, as we mentioned the spread trade earlier and that likely had some impact. If you'll remember, the corn market made some significant strides last week compared to beans and it appeared we were seeing the reverse Monday.

It is awful tough to be bullish soybeans from these price levels with the South American crops coming and the lack of fresh supportive news to help offset the impact of large Southern Hemisphere crops and the resulting shift in demand as importers turn to those supplies. Don't kid yourself, it is going to happen. The Brazilian grain analyst Celeres estimated the Brazilian bean harvest at 26% complete, in line with other estimates and slightly ahead of normal. They also estimated the farmer has sold 31% of the new crop, compared to 30% last week and 36% last year. As you can see, there are still a pile of beans to come at the market and we haven't even talked about Argentina yet. Oil World, one of the more respected analytical firms in the oilseed markets, has pegged the Argentine bean crop at 52 MMT, up from 32 MMT last year. That is also up 1 MMT from their January estimate. Their Brazilian estimate was 65 MMT, near the top end of their last range of guesses and also up from 57.5 MMT last year. In other words, there will be nearly 1 billion more bushels of beans available out of South America this year versus last year. Those are monstrous numbers that could have some far-reaching implications down the road when it comes to bean prices, but luckily so far it hasn't been too bad as prices have held in there fairly well. I'm afraid that has lulled a lot of producers into thinking that will always be the case, which I would probably argue pretty strongly against.

Well we continue to mark time until the big crop reports coming up, with the USDA supply and demand data coming at us a week from tomorrow and then the acreage estimates at the end of the month. That planting intentions report will be a crapshoot, as those surveys have been distributed now and with snow cover and cold still lingering over most of the Midwest, producers are already concerned about getting fieldwork done and corn in the ground on time. A couple things-it is only the second day of March and also we didn't plant much of the 09 crop until May or June and still had record yields, so there is still time. Basically all I'm saying is I feel like it is a little too early to be using spring weather as an excuse why price's need to rally from these levels. However, current conditions may persuade some of the survey respondents into indicating more beans, but we'll just have to see. The real question will be how many total acres the USDA accounts for in the planting intentions report, as that issue is probably up for the biggest argument.

That is about it for big news this morning as the overnight session was fairly quiet and the outside markets aren't offering much influence at this point. As I scan the newswire there are a few tidbits here and there, but nothing market moving that I can see, at least at this point. For the open this morning, I will call corn futures mixed to 2 lower, beans mixed to 3 lower, and Kansas City wheat 2 lower to 2 higher.

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