



Loewen and Associates

Commodity Brokerage/Consulting

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Morning Ag Markets

Pete Loewen

It is kind of difficult to say whether last week was more of a consolidation week for the cattle complex, or just a lot slower, steadier grind higher. Product trade in both the choice and select cutouts ended slightly lower, futures were higher, cash feedlot trade was steady, the feeder cattle index a little higher and calf trade was moderately higher.

Packers had a very difficult time moving product out of the coolers last week and what started out as a \$150-\$151+ choice quoted market on Monday and Tuesday ended on Friday in the mid \$149 range. That product struggle, plus the fact the feedlot negotiations didn't pick up till late Friday resulted in just steady trade at mostly \$92 in the Southern Plains. That's three weeks now at that same price level. I'm not really sure whether that's good or bad, but at least it's not lower yet.

Demand for feedlot replacement cattle struggled a little bit from cash feedlot trade not marking gains, but stocker cattle demand was still strong. Quotes were steady to \$4.00 higher across the country with the later week trade picking up the best friendly steam. With weather warming up significantly and conditions beginning to improve in a lot of areas the runs were huge last week. Total reported volume that was reported in the National Summary was 438,700 head which was up 82,000 from the previous week and 66,600 more than last year at the same time. It is actually very supportive that on such large volume and supplies that price held so firm. One of the factors driving the enthusiasm is the strength in the deferred feeder contracts- namely the August futures, but also from the condition of these cattle coming to the sale barns. Most cattle are coming in awfully thin from struggling with mud and cold all winter, so the compensatory gain potential is tremendous!

Cattle slg. ___ wtd 617,000 -15k wa +14k ya

Choice Cutout_149.59 -.50

Select Cutout_148.11 -.50

Feeder Index: ___102.08 +.26

Lean Index. ___ 71.69 +.56

Pork cutout ___75.71 -.20

IA-S.MN direct avg ___72.23 +.52

Hog slg. ___ 2.168 mln +5k wa -57k ya

Weekly closes in the livestock had april live cattle up 1.02, March feeders up 1.15, August feeders up 2.95 and april lean hogs up 30 cents.

Calls this morning are 10-30 better in the hog trade and 20-30 better in the cattle complex. One really dynamic factor relating to the cattle market that I want to point out- open interest in the Live Cattle trade is at record levels and commodity fund long positions are at a record as well. This factor confirms exactly what I've been talking about for weeks now and that's the fact "weather" was priced into this cattle complex long ago and commodity funds, or outside money is what has contributed to at least as large a portion of this rally as that weather. That fund aspect of the trade makes this market very, very vulnerable at some point to weakness and that weakness will have nothing to do with the fundamentals, but rather fund liquidation. The problem is, that is also an unpredictable event and it makes the cattle market difficult to analyze at the moment.

Grain weekly closes were in the double digits lower in everything and Friday's mild to moderate weakness in corn and wheat in particular sealed that fate. There really wasn't a lot of fresh new fundamental news to drive things up, so aside from late buying in beans, those other two markets just slowly faded during the session.

Grain weekly closes had the march corn down 13 ¼, dec corn down 10 ½, march beans down 16 ¼, nov beans down 16, march kc wheat down 18 and july kc wheat down 20 ¼.

Overnight E-CBT trade was__ higher with KC Wheat +1 ½ to +2, Chicago +2 to +3 ¾, corn +1/2 to +2 ½ and soybeans +2 ¾ to +4 ¾.

Wednesday's March S&D numbers will be the hot topic of the week with a fresh shot at new production numbers from last Fall's harvest in corn and beans. Normally the March report is a yawner, but this resurvey makes it a very important one to watch. Average guesses for corn production are coming in at 13.081 bln bushels which is 70 mln lower than January. Ending stocks estimates in corn are 1.716 bln, down just 3 mln from the February number. In beans the average production guess is 3.35 bln, down 11 mln from January. Bean stocks are projected 15 mln lower than the February report at 195 mln. For what it's worth, wheat ending stocks forecasts are down 10 mln from February to 971 mln. Don't put your bullish hat on with a lower wheat number though, as that number is still tremendously bearish in the big picture.

There isn't a lot more to talk about regarding the grains until Wednesday morning. The game changes at that point. It will change again with the March Prospective Plantings report as well.

With overnight action being a little higher, opening calls are a little higher as well. Outside market action has the dollar slightly weaker, crude slightly higher and the DOW up just a touch.

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