



## ***Loewen and Associates***

***Commodity Brokerage/Consulting***

**Pete Loewen, Tim Strunk,**

**Matt Hines, Doug Biswell**

**866 341 6700**

**www.loewenassociates.com**

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### **Morning Ag Markets**

The cattle complex was mostly lower to start the week, with feeder cattle futures leading the losses despite what has been a stronger cash feeder trend in the country as well as lower corn prices for the second trading day in a row after the latest rally. The live market was mostly mixed on the day in a very uneven session, with most now shifting to a steady to slightly lower cash guess this week. The fed cattle market has done a nice job hanging in there for the past several weeks and had found some recent support from the recovery in the equity and energy markets, but it is starting to look like we may be running out of steam as we get into the dog days of summer. We never did see a major uptick in the product trade and without that support; it will be tough to push this thing much further, especially as we get into larger numbers of cattle.

The cash feeder trade appeared to be pretty stout last week around the country, with the big video auction Friday finding most sellers pretty pleased for the most part I think. The trade to start this week had more of a mixed tone to it, with Joplin actually called steady to \$2 lower while Oklahoma City was steady to \$2 higher on the feeders and calves. The lower board probably wasn't helping as the futures trade looks to have lost a little steam, unable to keep a push toward those old highs going as corn prices have rallied 40 cents in 2 weeks and the live market hasn't done enough to provide a lot of extra incentive for strength in the feeders. Seasonally there is still some potential on that August contract, but unless we see some help from the live trade, I am becoming more and more convinced the old highs from earlier this spring will hold.

Cattle slaughter Monday 130,000 Holiday wa +5k ya Hog slaughter 398,000 Holiday wa +38k ya  
Choice Cutouts: 154.37 unch Select Cutouts: 145.17 +.49  
CME Feeder Index: 113.30 -.76 Lean Hog Index 79.33 -.06 Pork cutout 83.64 +.01

Calls this morning in the cattle complex are a little stronger as both live and feeder cattle futures are in positive territory this morning on the electronic trade. It looks like we may get a bit of outside market support but the cattle market-specific news will likely remain light today as traders wait to see what it takes to get cash fed cattle bought this week. Packers were fairly aggressive in coming after cattle mid-week last week, but I'm not sure we'll see anything done today. I will go with a steady to maybe even a dollar lower cash this week, assuming we don't see any surprises on the board. For the open this morning, I will call both live and feeder cattle 15 to maybe 30 or 40 better.

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Moving over to the grain markets, it was a mixed start to the week with no real major excitement for corn, beans, or wheat. Weather forecasts have moderated a bit, keeping the weather bulls at bay for at least another day. A potential Chinese corn purchase wasn't enough to help that market, while the front end of the bean market is still very strong as supplies remain very tight heading into the new crop year. Kansas City wheat futures actually ended up a shade higher after a quiet day, still holding in there surprisingly well given the current fundamental situation.

Overnight electronic trade last night was mixed with corn 1 ½ to 2 ¾ lower, beans 2 ¾ to 5 ½ higher, and Kansas City wheat 2 to 3 ¼ lower.

The grain markets were fairly subdued Monday as traders didn't have any fresh weather scares or other big news to jump on to start the week and we traded both sides of unchanged throughout much of the day. With all the recent report data now behind us, the focus will shift almost solely to weather;

with the bulls losing a bit of ammo as forecasts for later this week moderated and took out some of the heat and dryness that was slated for parts of the Midwest. Scattered rain showers over the weekend also brought some relief to parts of the Eastern Midwest, although I'm sure there are places that could use another drink soon. There is still talk about big changes in the weather pattern later this month into August, and for now it looks like the weather bulls will have to count on that for a further rally. Of course during the summer forecasts can change in a hurry and turn off hot and dry, which would undoubtedly send us higher, but for now those forecasts don't look threatening.

Monday afternoon's weekly Crop Progress report brought a surprise in the form of a 2% jump in corn conditions, up to 73% good to excellent overall after most expected another decline. Most notable was Iowa, which picked up 6 points in the good to excellent categories after losing 7% there last week. They are now back to 71% good to excellent while Illinois lost 3% in the upper 2 categories, falling to 65% good to excellent. Indiana was unchanged at 62%, Minnesota down 1 to a still incredible 88% good to excellent, and Nebraska was up 3 to 86%. For what it's worth, we are back to being 2 points ahead of last year at this time on the corn crop condition. One other corn note from yesterday's report, 38% of the crop was reported silking, 12 points ahead of the 5-year average and 23% ahead of last year at this time. Soybean conditions did fall one point this week to 65% good to excellent, with most expecting the drop as the hot and dry weather in the Delta and Eastern Midwest combined with some of the excess moisture problems in the West to keep beans from showing much improvement. It is worth noting that the Iowa bean crop came up 5 points in the good to excellent category and all of the major states actually showed improvement, but major drops in Kentucky, Mississippi, North Carolina, and Tennessee were enough to offset that and give us the 1 point drop overall.

A few wheat notes from the Crop Progress report-winter wheat harvest was reported 63% complete, up 9 on the week as Kansas moved to 92% done. The Northwest corner of the state is still battling some wet weather, but should be wrapping up what turned out to be an excellent harvest soon. Nebraska, Colorado, and South Dakota are all well behind normal on harvest due to the recent wetter weather, with over 2.5 million left to cut in Colorado and Nebraska alone. The spring wheat crop is still doing well, rated 83% good to excellent overall, unchanged on the week. 72% of that crop is headed, putting us 18% ahead of last year's pace.

Well there isn't much other news this morning, with weather once again the key to these markets over the next few weeks. We obviously need to raise decent corn and bean crops this year to feed the demand machine, with corn stocks holding the potential to get almost scary tight if we were to see major production issues. With 73% of the crop rated good to excellent, it looks like we have avoided an all-out disaster up to this point. There is still a long ways to go and I know many areas out there have had it pretty rough, but as a whole there is still some pretty decent potential. Beans have even further to go and are not faring quite as well up to this point, at least according to crop conditions, but everyone knows August is the big month for them. The 6-10 and 8-14 day maps are bringing some heat to most of the Midwest, but keep in mind it is the middle of July, I think it is supposed to be hot. If the precip maps hold true, we should keep enough moisture around to keep us from burning up, but those forecasts change constantly and if they ever do switch to completely hot and dry, it will add some support to the market.

Calls this morning are mixed with corn futures dealing with better than expected crop conditions while soybeans are still led by the front months on the tight cash bean situation. The wheat market is just kind of stuck, with most fundamentals pointing a lot lower and other markets as well as continued short covering keeping it propped up. It also looks like the outside markets may add a bit of help for everything this morning. For the open, I will call corn futures 1 to 3 lower, beans 3 to 6 higher, and KC wheat 1 to 4 lower.

**Tim Strunk**

**Loewen and Associates, Inc.**

**866 341 6700**

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