



## ***Loewen and Associates***

***Commodity Brokerage/Consulting***

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### **Morning Ag Markets**

The cattle complex continued to show some strength Wednesday, with live cattle futures leading the way once again. The gains weren't overly impressive, but we continue to just grind higher and the advances over the past couple of weeks have been encouraging. For the past two weeks we have seen cash fed cattle trade underway by Wednesday, but there was nothing reported yesterday. Packers may finally be getting tired of having to pony up another dollar or two every week, cutting into their margins. However, with the higher futures trade again this week as well as some slight advances in the product trade, I think it is likely we see higher cash yet again. The only holdup may be the fact that August futures are still \$.50 below the top end of last week's cash, but that hasn't hurt anything the past few weeks when futures have been well below cash. I wouldn't be surprised to see some cash business today, although I suppose there is a chance both sides try to hang on until after the release of tomorrow afternoon's Cattle on Feed and inventory reports. The on feed report is expected to show big placements for the second month in a row, which shouldn't be supportive to fall futures, but there is a general feeling the inventory report will be a little on the friendly side, although everyone has been expecting that for quite a while now. The average guess for cattle on feed July 1 is 103% of a year ago, June placements at 119%, and June marketings 102%. My best cash guess this week is a dollar better on the bulk of the Southern live trade and I think we will probably see some business underway today or tomorrow ahead of the reports.

Feeder cattle futures made another new high for this move yesterday, still finding support from the strength in live cattle futures. Corn prices backed off early this week but have since found some better support, but the corn market hasn't really had much impact on feeders over the past few weeks. It has been interesting to see the cash index trend lower for the past week while futures have moved higher, with a near \$3 spread right now. Judging from reports out of the country, I wouldn't be surprised to see that index start trending a little better again, as it sounds like most have been fairly pleased with what their cattle are bringing at the sale barn.

Cattle slaughter Wednesday	130,000	-1k week ago	+3k year ago
Choice Cutouts:	155.52	+42	Select Cutouts: 146.50 +.65
CME Feeder Index:	111.84	-.06	Lean Hog Index 77.84 -.06
Pork carcass cutout value	84.03	+1.21	
Hog slaughter Wednesday	402,000	-2k week ago	-2k year ago

Calls this morning in the cattle complex are just mixed as the overnight trade was fairly quiet and not offering much direction, although this morning fats have turned a little higher while feeders are still mostly lower. Traders will continue to position ahead of tomorrow's reports and also be watching for any news out of the cash fed cattle market. The outside markets look supportive this morning, likely helping turn the electronic live trade higher. For the open, I will call live cattle 5 to 15 higher and feeder cattle futures mixed to maybe 10 lower.

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Moving over to the grain markets, the wheat trade led us higher once again Wednesday with double digit gains notched in Kansas City on more concerns over production in Russia and Eastern Europe. You all know the story by now, but buyers keep showing up. Corn and beans were able to move higher as well despite rainfall in much of the Midwest as well as forecasts that keep enough moisture around to lessen the impact of some of the heat that is also in those forecasts.

Overnight electronic trade last night was higher with corn 3 ¼ to 4 higher, beans 6 ½ to 8 ¾ higher, and Kansas City wheat 11 ¼ to 12 ¼ higher.

Well weather is still the buzzword for the grain markets, although not so much the weather here in the U.S. On that front, rainfall has been and looks to stray frequent enough in most parts of the Corn Belt to keep crops from suffering too much from the heat that is in the forecast. Rains fell again overnight and are still falling this morning in Iowa, Minnesota, Illinois, and Southern Wisconsin. With some areas experiencing excessive rains, some perfect rains, and others missing it altogether, we have a very mixed look at crop conditions around the Midwest. Things seem to be pretty variable and it will be a question of can the really good areas make up for those that have struggled? That is not a prediction I can make from this chair, but I am looking forward to our annual Corn Tour in a couple of weeks to hopefully get a better handle on crop conditions around the Corn Belt.

Weather around the world has been getting as much or more attention than our weather, as by now everyone has heard of the Russian drought and the impact that has had on wheat prices. Now we just have to wait and see how bad it is once their harvest is underway. Russia isn't the only area having problems, with new German estimates this morning out that their wheat yields may be down 20% from last year. With the markets moving higher and weather getting the credit, we are seeing more and more stories pop up from around the globe highlighting weather issues. Flooding in China and Mexico, cold in Argentina, etc. Basically anywhere it isn't perfect is going to get a lot more attention when weather is at the center of the market action. I still think there is a little more to it than weather, as there has been quite a bit of outside money come at these grain markets lately. There is a growing consensus that there may be more to come, especially if the U.S. dollar continues to weaken and push more money to commodities. Might happen, might not. For the producer's sake, I'd be fine with the big money coming in and running prices higher, but we won't know it until it happens and hopefully you are prepared to act if it does.

In other news, weekly export sales data was released this morning, albeit about 15 minutes early in some sort of unexplained USDA glitch. Corn sales last week tallied 24.2 million bushels for old crop and another 21.3 million new, taking the total to 45.5 million, just over the range of guesses from 30 to 43 million. Soybean sales were very large, led by new crop, which was expected after an active week of Chinese buying. Old crop bean sales were just 4.1 million bushels while new crop business was 43.9 million, taking the total easily over the top end of the range of guesses from 22 to 41 million. Wheat sales were nothing to get excited about, coming in at 14 million bushels, near the low end of guesses from 13 to 19 million. The big bean number was expected, but should help add some support this morning, while the corn and wheat numbers likely won't provide much direction.

There really isn't much other news this morning, with weather around the world still key. Nearby European wheat futures traded at a 2-year high overnight, which undoubtedly helped our wheat trade as well. The outside markets are kicking in some extra help this morning, which likely helped the grains turn higher overnight in the face of more rainfall in the heart of U.S. corn and bean country. With decent export sales, especially for beans, continued weather stories around the globe, and supportive outside markets—the ingredients are definitely there for higher trade today. If the midday forecasts cut back on rain for the Midwest and keep the heat coming, look out.

For the open this morning, I will call corn futures 3 to 5 higher, beans 7 to 10 higher, and Kansas City wheat 11 to 13 cents higher.

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