



Loewen and Associates

Commodity Brokerage/Consulting

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Morning Ag Markets

The cattle complex was mixed on the day Wednesday, with live cattle futures able to claw their way back to a slightly higher close while feeders stayed in lower territory for the most part. We did start to see some cash fed cattle trade on Wednesday, although it wasn't anything to get too excited about. Nebraska kicked things off this week with some dressed sales at mostly \$147 Wednesday, \$3 lower on the week. There were some live sales in Nebraska at mostly \$93, which would be \$2 lower on the week. Not what anyone was looking for after last week's momentum building higher cash trade, but I suppose we can blame it on the lackluster futures trade so far this week. Nothing was reported in the South and maybe we will be able to buck the lower trend in the North, but I'm guessing we're looking at a dollar or so lower when the trade gets underway, likely at some point today.

Feeder cattle futures probably felt a little pressure yesterday from the jump in corn prices, although those two haven't shown much correlation over the past couple weeks, as corn prices made new recent highs in tandem with feeders. The cash index has crept higher this week, trying to move a little closer to the August futures contract which remains about \$1.50 over the index right now. With some decent reports out of the country again this week, I would imagine that index will continue to try and work its way a little higher.

One other livestock note this morning on the pork side-yesterday afternoon's belly quote hit a new all time high, surpassing the old mark set earlier this year by more than \$3. The big jump in the belly quotes as well as the loins helped push the pork cutout up over \$2 on the day yesterday, lending some additional strength to the futures trade which carried over into last night's trade and should help the open this morning.

Cattle slaughter Wednesday	130,000	unch week ago	+6k year ago
Choice Cutouts:	154.70	-.53	Select Cutouts: 146.34 +.61
CME Feeder Index:	113.08	+.32	Lean Hog Index 80.79 +.78
Pork carcass cutout value	89.35	+2.39	
Hog slaughter Wednesday	400,000	-2k week ago	-18k year ago

Calls this morning in the cattle complex are just mixed, as the electronic trade really hasn't shown much excitement and both live and feeder cattle have been on both sides of unchanged in the early going. With some light cash trade starting at lower money yesterday, I would imagine we will see the rest of the trade break loose today, with most now thinking a dollar lower is likely in the South after early week hopes of steady to higher trade. The futures market has put a little damper on cash prospects, with those thoughts confirmed by the lower Northern trade Wednesday. For the open this morning, I will call both live and feeder cattle futures 10 lower to 10 higher.

Moving over to the grain markets, Wednesday was a big day as the wheat markets continue to lead the charge and speculative money flows into the grains. The Russian drought is still at the center of conversations and the what-if scenarios are being thrown around like crazy. Weather is still not a story in the U.S. but that has taken a back seat as corn, beans, and wheat all moved to big double digit gains on the day Wednesday.

Overnight electronic trade last night was higher with corn 4 ½ to 5 ¾ higher, beans 5 to 6 ½ higher, and Kansas City wheat 8 ½ to 12 higher.

Well Wednesday was another day of big gains for our grain markets, led once again by the fear-driven European grain trade. EU wheat futures continue to make new highs daily as the panic buying has set in thanks to the ongoing drought problems in Russia and elsewhere in Eastern Europe. No one will be able to quantify the losses until after harvest, but most are talking about yields being off around 10% on average in Russia as a whole, but that is covering a massive area including those that haven't been hit as hard by the dryness. Right now we are just seeing the fear of the unknown drive the trade and it is spilling over into our markets as well. Once we have a better handle on actual production losses, I think some may start to wake up and realize we have enough wheat on hand around the globe to pick up the slack, as long as other major producing countries don't have production problems as well in the coming year. Obviously the U.S. had a solid crop, including the spring wheat harvest that is just getting underway, and Australia, another major exporter, has a decent crop coming on as well. Most of the attention is on export activity and what changes the Russian drought may have on the global grain trade. There are plenty of rumors flying around about export controls in Russia and the Ukraine but nothing has been confirmed and the Russian government has denied any such reports. There were also some rumors yesterday of cancellations of Russian wheat shipments as well, but nothing to confirm that either. Perhaps the most intriguing angle here is what it may mean for U.S. corn exports. The U.S. is one of the major players when it comes to corn production around the globe, and a large chunk of the Black Sea wheat is used for feeding purposes. If they lose a big chunk of their exportable feed wheat due to the drought, importing feeders will have to turn elsewhere for feedgrains. That could potentially lead to more U.S. corn exports and on an already tight balance sheet, it could make things a little interesting. Of course there is still the Chinese talk as well when it comes to increased corn exports for us, adding more fuel to the fire. All speculation and what-ifs for now, but it seems to have caught the attention of the market this week.

This morning's weekly export sales numbers will likely help add some support, especially the much larger than expected wheat number. Wheat sales were 33.8 million bushels, well over the guesses from 9 to 18 million. There was some Egypt business and surprisingly enough some Canadian business as well on this week's report, helping add to the total. Corn sales came in at 17 million bushels old crop and 20.8 million new, which put the total in line with estimates from 30 to 43 million bushels. Soybean sales were 12.5 million old crop and a whopping 40.9 million new, taking the total well above the range of guesses from 28 to 44 million. Big numbers were expected after a big week of Chinese new crop purchases, but they were in for a notable amount of old crop too. The Chinese remain very active in the U.S. market, still coming to us for most of their bookings instead of South America. All in all, nothing but good news in the export numbers this morning.

Well there really isn't a need to talk about much else this morning-it is no secret what is driving these markets. Seems odd to spend 10 minutes on the radio at the end of July and not even talk about U.S. weather, but as a whole things still look pretty favorable and our weather has definitely taken a backset to what is going on overseas.

Calls this morning are going to be higher and I'd say the potential is there for another big day across the board. The technical strength in the wheat markets is incredible and corn and beans are looking pretty decent too. \$4.10 is the number to watch in Dec corn, as a trade through that level could trigger another pretty decent run up. While things do look pretty solid for all the markets this morning, I still want to caution you to not get caught up in the hype too much and forget to make some sound business decisions. These markets are poised to give producers some excellent opportunities and hopefully you all figure out how to use that to your advantage as much as possible. For the open, I will call corn futures 4 to 6 higher, beans 5 to 9 higher, and Kansas City wheat 10 to 15 better.

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