



Loewen and Associates

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Morning Ag Markets

The cattle complex was very mixed to start the week, with a lower open in both fats and feeders giving way to a little stronger close on the live side while feeders stayed moderately lower. Last Friday's cash business that was another dollar lower likely helped add some pressure to start the week but the live market was able to rebound as cutouts made a decent jump and packers killed a fair amount of cattle to start the new week. Margins are still pretty poor, but at least they haven't completely pulled the throttle back on chain speed. We have now seen cash fed cattle trade lower two weeks in a row as packers are slowly starting to get a handle on things, but their margins are still pretty deep in the red as we can't get anything going on the product side. It is still a little early to make any halfway educated cash guesses for the week, so we'll just have to wait and see what the board does now that we are into deliveries on that February contract and the cash direction should line up pretty well with the board.

The feeder market has obviously been long overdue for a correction and I guess two sessions in a row of lower closes qualifies, since we haven't seen that in nearly a month. The cash feeder market was all over the place Monday, with Oklahoma City seeing another big jump in the steer calf market, with those cattle called \$4 to \$8 higher after the region got a nice soaking of rain late last week and the grass prospects are looking pretty solid. The heifers were only steady to \$2 higher and the feeders called steady. Joplin was just called steady on the steer calves while the heifers were actually \$2 to \$6 lower after the big jump last week.

Cattle slaughter Monday	124,000	+10k wa	-1k ya
Choice Cutouts:	184.66	+1.54	Select Cutouts: 179.07 +.99
Feeder cattle index:	153.87	+.25	Lean Hog index: 87.86 -.21
Pork cutout value:	84.75	-.35	
Hog Slaughter Monday	419,000	+19k wa	+5k ya

Calls this morning in the cattle complex are just looking mixed, with feeders on both sides of unchanged in the electronic session overnight into this morning while fats were just a shade lower for the most part but coming around a bit here in the past 20 minutes or so. There is very little in the way of fresh news and the outside markets aren't doing a whole lot, so just about anything will be possible. Feeders still have the support from strength in the cash markets while the live trade is struggling a bit with lower feedlot business the past two weeks in a row and not much reason to expect higher trade this week unless the board gets it going. For the open this morning, I will call both live and feeder cattle futures 10 lower to 10 higher with another choppy session expected.

Moving over to the grain markets, it was really a pretty quiet start to the week, with corn futures staying a couple cents lower most of the day as there wasn't any fresh bullish news and talk continues of slowdowns on in the ethanol industry. Soybeans were higher most of the day as new crop estimates continue to come out of South America and they all seem to be getting smaller, although the market was well off the highs by the close. Kansas City wheat futures were a few cents higher, able to ignore any pressure from the major rain event across a big portion of wheat country late last week.

Overnight electronic trade was lower with corn 3 ½ to 5 ¼ lower, beans 3 ½ to 4 ¾ lower, and KC wheat 7 to 7 ½ lower.

Well the start of the new week really lacked much excitement for the grain trade, with beans and wheat gaining once again on corn as news remains fairly light. South American weather has

straightened up somewhat and now the focus is on production estimates that seem to come out from someone on a daily basis. We will get updated guesses from the USDA on Thursday when they release their monthly WASDE report, and it will be interesting to see if they make as big of cuts that most private sources have up to this point. The only other numbers that will garner much attention on Thursday are any adjustments to U.S. demand, as there aren't any production changes on the February report. Most are not expecting anything major, although the average guesses have corn ending stocks for this year 55 million bushels below the January report, while beans are guessed down 2 million and wheat down 3 million bushels from January. Look for potential changes to corn exports, as that number likely needs to come up some, and also wheat for feed usage and perhaps even wheat exports as that business has picked up just a bit here lately.

Other grain news is painfully slow at the moment, but I do want to talk a bit about the ethanol industry, as it is starting to seem like we get a little more negative news every day. On Monday ADM announced they were closing a small plant in North Dakota, which is the first to go down in the wake of the blender's credit disappearing at the start of this year. Now there are likely some other issues in play as well with regards to the plant that closed, but the point is that things aren't quite as rosy in the ethanol world as they were last fall when margins were strong and plants were running at or as close to full capacity as they could. Ethanol margins have taken a turn for the worse as the ethanol supply has ballooned now that blenders don't have the extra incentive to blend as much ethanol as possible. EIA stats confirm ethanol inventories are at record levels as the industry tries to figure out how things are going to be in the post-blender's credit world. Those margins have taken a major hit lately, but don't take that to mean ethanol is going to go away anytime soon. However, the days of rapid expansion and record ethanol production on a monthly basis may be coming to an end, at least for now.

Well the wheat market was able to hang in there fairly well Monday considering a big portion of hard red winter wheat country got a nice shot of moisture late last week, with a little more on the way this week for some. Production concerns in parts of the world continue to grab headlines, with more private estimates of a smaller crop and fewer exports out of the Ukraine making the rounds early this week. The Russian rumors have died down since last week's talk that they may be looking at adding some export duties, but the fact remains that they don't look to be in a position to be as active of an exporter as they were last year. Extreme cold in Europe is the other story that has been helping the wheat markets here lately, and it is still a bit of a concern, but that story may be getting a little tired as well. I don't know how long the wheat market can keep hanging in there without some fresh help from corn or the other markets, but it has been fairly encouraging up to this point once you consider the global supply situation and how terrible the fundamental outlook was just a few short weeks ago. The wheat markets once again have lived up to their reputation of making moves that would be considered opposite of what most would have expected, and then we have to mold the news stories to fit the market action.

Well I don't have much else this morning, as the news remains extremely light and the trade is losing some of its luster. We backed off a bit overnight as volume remains light, a trend that is impacting pretty much all the markets right now. The outside markets are just mixed this morning, but with little in the way of fresh supportive news, it looks like we are headed for a lower open.

For now, I will call corn futures 3 to 4 lower, beans 3 to 5 lower, and KC wheat 5 to 7 lower.

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