



Loewen and Associates, Inc.
Commodity Consulting/Brokerage
Pete Loewen, Matt Hines,
Doug Biswell, LaVell Winsor
866 341 6700
www.loewenassociates.com

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Morning Ag Markets

Pete Loewen

Monday was a huge day of gains for the meat complex, but more specifically the cattle. Feeders had a pair of contracts that settled limit up, which is \$3.00 higher and the live market had one contract over \$2.00 better at the closing bell.

The corn market was lower, but not by much, which brings to question what the catalyst was that ignited the fuse on feeders. Funds were very active on the buy side, which in my opinion explains the majority of the rally. Feeder cattle trade is still red hot in the country and that has the index marching higher. However, the index is still significantly below some of the deferred futures contracts that are pushing up very close to the \$200 mark. Sept and Oct feeders settled less than a limit move away yesterday and I think that's a big goal of this market is to put a "2" handle on futures. I am still not convinced and actually a little skeptical whether we'll ever see the index with a "2" handle this year, yet I'm confident at least one or more futures contracts will hit the mark.

Just keep in mind though, at some point when everyone on the managed money end is long and the small specs are long and everyone else that is bullish is long, the market will run out of new buyers to keep pushing price up. It always seems like when the boat gets loaded too heavily to one side, the bullish side in this instance, and it looks like there will never be another down day is when markets top, or the boat tips over. I'm not saying we're near that, but I would be very cautious, (especially if buying new cattle or getting into new long positions) at how fast this thing could fall when the worm finally turns. When it happens the drop will be much faster than the rise.

Cattle slg. ___118,000 +2k wa -7k ya

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Choice Cutout__227.22 +1.24

Select Cutout__217.54 +.83

Feeder Index:___187.13 +2.88

Lean Index.___112.07 -.23

Pork cutout__114.67 +.48

IA-S.MN direct avg__109.24 +.28

Hog slg.___ 385,000 -8k wa

Moving on to the grains, soybeans had some weak moments early on in the trade yesterday, right along with wheat and corn, but then the beans very aggressively shot higher and scored a couple of 20+ cent gains at the close. Part of the reasoning behind the beans might have been tied to export loadings that came in at 6.2 mln bushels. While not a huge number and lower by 3 mln than the previous week, it was still viewed as friendly and may have contributed to the front months gaining more in the rally than the deferreds. Wheat shipments were posted at 20.3 mln and corn at 41.7 mln.

Crop progress and condition data that came out at 3:00 yesterday afternoon had a little fodder for both the bulls and the bears. The bear side was a 73% complete number on corn planting progress, which was only 3 points shy of the average for this time of year and 8 points ahead of last year. The BIG 4 corn producing states had Iowa at 84% complete, up 14 points from last week and only 4 points behind normal. Illinois was 84% done, up 6 points from a week ago and a whopping 11% ahead of the average. Nebraska was 91% done, up 14 points from last week and 2% ahead of normal. Minnesota was the big laggard last week at only 31% done and they advanced to 53% now, yet that is still well off the 81% pace that is their average. I'm going to call the numbers slightly negative despite the fact many in the trade were looking for a larger number.

Soybean seedings were pegged at 33% complete versus 38% on average and 20% a week ago. 13% gained in a week isn't much, but the major states had Illinois gaining 10%, Iowa up 20% in the last week, Minnesota up 12 points, Indiana up 10 and Nebraska up 29%.

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Spring wheat planting jumped 15% up to 49% done. The problem is that normally we're 68% done at this point and states like North Dakota are still 30% behind normal, South Dakota 10% behind and Minnesota is behind by 52%! Montana is right on pace, but overall this crop is going in late.

As expected, winter wheat condition ratings declined, despite some favorable weather in the Plains states after spotty showers last week. Just 29% of the crop is rated g/ex, down 1 point from last week and 2 points lower than last year. P/vp ratings increase by 2 points to 44%, which means fair lost one point as well. Kansas is sitting at 59% p/vp, Oklahoma at 78% p/vp and Texas at 67%. I have an extremely difficult time explaining the recent avalanche to the downside in Kansas City wheat when the crop by and large is a wreck in so many places. Granted, I'm sitting in an area where the wheat looks pretty good, although there isn't a whole lot grown here. The only point I'm trying to make is that my poor wheat condition talk isn't coming because I have backyarditis. This crop I think is going to be legitimately pretty tough. SRW wheat on the other hand is in good shape.

The good news today, although possibly too late to count for wheat is that High Plains and Panhandle and Central Plains moisture forecasts in the 6-10 day run range from above normal to much above normal amounts. Temperatures were above normal over the entire Corn Belt and Northern Plains and normal to below normal from SW Kansas down through all of Texas.

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Pete Loewen / Matt Hines / Doug Biswell / LaVell Winsor

www.loewenassociates.com

peteloewen@cox.net

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