



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Morning Ag Markets

Pete Loewen

Meat complex trade had the lean hog futures under hard pressure while feeder and live cattle futures headed north, marking big gains in feeders and mild to moderate gains in fats. A slow and erratic, yet mostly lower cash trade already developed in feedlot country this week as Nebraska reported limited sales at \$143 Tuesday, followed by \$144 yesterday, along with \$230-\$232 dressed business. There were some rumors floating around midafternoon that Kansas traded a few at \$142, but that number didn't make the official reporting by USDA market news. Late trade was in the \$143 area in both Kansas and Texas. The bulk of this action so far is \$1-\$2 lower than a week ago. Regardless, not good news at all.

Despite the lower cash trade and higher futures price action, basis on cattle sold yesterday versus the closing futures quote was just shy of \$7. Normally we would see maybe a \$1-\$2 premium of cash to futures just before the calendar turns to June, NOT a whopping \$7! This has been a very funky basis year thus far in the live trade though because the Feb and April contract delivery months had abnormally wide basis levels as well. While I believe cash is going to continue to creep lower as we head into June, futures prices are also rising some to narrow that spread. That's a good thing considering I'm not really keen on cash covering that entire \$7 gap in basis discrepancy.

Cattle slg.____119,000 +2k wa -8k ya

Choice Cutout____234.31 +1.19

Select Cutout____22415 +1.50

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Feeder Index:___19.89 -.06

Lean Index.___110.98 -.24

Pork cutout___115.25 +2.36

IA-S.MN direct avg___108.18 -.14

Hog slg.___ 421,000 +15k wa -6k ya

Grains had a whipsaw day of trading on both sides of unchanged in everything. Corn and beans managed a higher close, but wheat still remained in the red with continued technical selling and long liquidation overruling bullish KC Wheat fundamentals. I made the comment on Tuesday that we might have to see the yield reports coming off the combines in the field before the trade wakes up to the reality of very little HRW wheat out there. With Texas harvest reports surfacing more actively on a daily basis and expanding north, that is exactly what's happening as well. What baffles me though is there still hasn't been any reaction on the futures trade. \$1.16 1/2/bu lower from the May high to yesterday's low and keep in mind, wheat condition ratings have deteriorated through that entire time. Granted, SRW wheat conditions are great for the most part, but spring wheat seedings have been behind the needed pace this spring so far, which to me still weights the fundamental analysis more towards the bull's camp.

For corn and beans, we have seen some big recent disparity between corn being quiet and steadily lower, while beans have had some big swings and an old crop price that keeps flirting with the \$15 mark. In reality, from a weather standpoint conditions are great for the most part. Warmer temps and scattered rains on the crops already in the ground are fuel for the bear, but there is still a large argument coming as we move through June on what the acreage and quarterly stocks numbers will have in store.

Talk of up to 2 mln acres of intended corn seedings in northern tier states being switched to beans or other crops is common in the daily newsfeed. In corn specifically, my feeling all along was that USDA was light on their March Intentions forecast of 91.7 mln acres. I thought there was a chance they were 2-3 mln shy of actual intentions. So, if you take 2 mln off that mix from switching

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up north, it is still possible in the June final numbers to come in at or above the March Intentions. Plus, taking acres away from a state like North Dakota, or far northern parts of Minnesota might actually bump the national average yield potential since those areas are generally under on their yields.

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