



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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It was a very surprising day for most of the ag commodity complex as futures did a very good job of avoiding the strong outside influences of weaker energy markets and extreme strength in the dollar index. Normally those forces would be providing red ink to grains and livestock. In the big picture, that strong dollar over time could be very detrimental to exports of meats and grains, yet feeder futures were up over \$3.00 at times, live cattle up over \$1.00 and grains were all on the plus side, albeit not by much.

The hog market was the lone ranger that moved counter to the rest of the ags. Several hog contracts dipped all the way back into new contract low territory with quite a few closing more than \$2 lower and the electronic trade after the pit close reaching limit lower. Of course the frustration from hogs being actively lower while cattle are higher lies in the fact the spread between beef and pork has been moving back wider over the last couple of weeks instead of narrower. Futures have been spreading apart faster than the product trade though- and that product price differential is where it really counts. Pork cutouts are around \$1.70 lower than they were at last week's high price. Choice beef cutouts are around \$2.10 lower. Obviously the product action isn't in tune with futures price movement which to me may very well limit much more significant cattle market rally potential.

Cattle slg. ___103,000 -3k wa -16k ya

Choice Cutout __247.47 -.32

Select Cutout __244.88 -.24

Feeder Index: __212.58 +.58

Lean Index. __66.80 -.42

Pork cutout __68.21 -.42

IA-S.MN direct avg __62.12 no comparison because the previous day was unavailable

Hog slg. ___433,000 unch wa +17k ya

Grain trade yesterday was mildly higher wheat and corn and a little more actively higher in beans where gains were in the 6-9 higher range at the close. Aiding the soybean market were

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two South American stories; one being continued struggles with Brazilian truck traffic with the government actively still trying to keep truckers on the road instead of striking. Secondly, Argentina's farmers began their protest against the government by halting grain sales for three days beginning yesterday. While I don't think either of those occurrences will have a lasting impact on prices, the short term support is more than welcome from a farmers perspective.

Wheat futures prices have been well supported for a little over a week now. Some of the fundamental talk backing those gains has been dryness in HRW wheat areas. Granted, there are definitely areas that continue to lack adequate moisture, but some previously really dry areas in Texas and Oklahoma as well as some in Kansas got a decent drink of water just prior to this warmup in temperatures. Crop condition ratings improved in Texas this week and Kansas / Nebraska ratings aren't terrible either. Despite that, some of the KC futures contracts have tested and broken through downtrending resistance this week, as well as Chicago SRW futures back to testing the \$5 and above mark again after the recent gains. Technically, those factors do provide legitimate support. The weather story, I'm just not wholeheartedly buying into yet.

Weekly export sales data this morning was reported as bullish corn and soybeans and bearish wheat. My take however is very neutral to bearish corn, neutral to friendly beans and neutral wheat, not bearish. Corn sales were 16.5 mln old crop and 3.8 new. The reason I put them as neutral to bearish instead of bullish is that those sales are down 50% from a week ago and 52% lower than the 4 week average. Soybeans sales were 6.2 mln old and 1.1 new. Continuing to see positive numbers in beans is good for price, although the number seems to be slipping slightly each week as more sales are being booked on new crop South American supplies. Wheat sales were 16.4 mln old and 1.8 new. There have definitely been lower numbers than that in recent months, which is why I didn't necessarily agree with the bearish response in the newswire. Finally, milo sales were a hefty 8.6 mln old crop and 8.5 mln new. The cumulative commitments for the marketing year to date on milo are 309 mln bushels compared to just 136 mln a year ago at the same time. I would think the new crop sales totals should be helping work new crop bids a little stronger also, especially if they continue to be booked in coming weeks. That will be an interesting development to watch.

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