



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Hog futures continued their death spiral yesterday, gapping lower and extending actively into new contract low territory. Given the fact Wednesday was also sharply lower and included new contract lows as well, some of the speculative trade chatter during the day was that the gap lower might be the start of a blow off bottom. I would like to say those comments might be more rational thinking than wishful thinking, but rational thoughts and analysis were out the door over the last several months as hogs continued to move lower and cattle remained sky high, as well as basis and futures discrepancies in cattle making zero sense at times.

While the hog ship was sinking yesterday, cattle were surging higher in every contract except the spot March feeders. Those March feeders were down 20, while the next month out was up \$1.72. The index is what has been holding March feeders back as they are premium cash by about \$1.40 with expiration of the contract coming next week.

Spot April live futures moved within \$3.00 of last week's cash market by the close. This week's cash is going to be higher I think, barring a major onslaught of futures selling today. That bullish cash undertone is what aided futures quite a bit yesterday.

This afternoon we get monthly COF numbers. Average guesses for COF March 1 are 99.5% of a year ago. The reduced supply at the bunk line is coming to us courtesy of another month of low placements. February in-movement into feedlots has an average guess of 92.5%, but it wouldn't surprise me to see a number slightly larger than the average estimate. March should show higher placements when the April report comes out, particularly in the Southern Plains. Marketings in the month of February have an average trade estimate of 97.5%

Cattle slg.____103,000 unch wa -9k ya

Choice Cutout__246.61 -.19

Select Cutout____244.79 +.32

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Feeder Index:___212.61 -.01

Lean Index.___63.56 -.53

Pork cutout___68.74 +.18

IA-S.MN direct avg___58.59 unch

Hog slg.___434,000 +1k wa +21k ya wtd so far is running 98,000 hd over year ago levels, but 4,000 shy of last week at the same time.

Grain futures were under mild pressure at the close, but spent some time at higher money Wednesday night and early yesterday, following through on Wednesday's strong close. The chart picture in corn and soybeans looks really ugly after breaking into new recent low territory early in the week. In May beans, that leaves the next support level all the way down at 9.28 ³/₄, which is the contract lows. May corn support isn't there until \$3.39 ¹/₄. Both of those numbers are a long way below the market.

The wheat chart looks considerably different than corn and beans as wheat plummeted for 2 1/2 months, posted new contract lows in early March and has been on a short covering rally since. Wheat charts look short term friendly and the general drying trend could push the rally even farther if it persists. Producers need to be very careful what they wish for though because it will legitimately take a reduction in crop conditions and production potential to keep this rally going over the intermediate or longer term.

Ag Resource came out with planting estimates of 90 mln corn acres and 84.5 beans yesterday. Informa hits the press later this morning and their last numbers were 88.6 corn and 88 mln beans. Next Tuesday is the prospective plantings and quarterly stocks reports, so expect a lot of hype and nervousness going into those numbers.

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