



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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Cattle were down yesterday and hogs were up, so it was day two for me chalking up the meat complex market action to just a technical correction in markets that look bearish overall in hogs and friendly yet in the short term for the cattle. With huge kills and big total meat production in hogs, the fundamentals are very decisively lower. Cattle have been riding the tidal wave of the relentless packer appetite for cash cattle, which has been a big plus for cash and futures recently.

It will be a big day today for the hog market with quarterly hog and pig numbers coming out at 2:00 this afternoon. The average analyst's estimates are firmly planted in the very bearish category with strong expectations of upward revisions in previous report numbers as well as big increases in all categories for the current numbers. All hogs on March 1 are pegged at 107% of a year ago with a range from 105 up to 108.5. Breeding herd numbers are expected at 103.5%. Market hogs at 107%. With the obvious hard core expectation of super bearish numbers, the odds of big fireworks from volatile reaction come Monday are definitely present. With that comes the odds of that reaction spilling over into cattle somewhat as well. A big bearish hog report could definitely alter the bullish flow in cattle and turn things south. A not so bearish report and cattle can be off to the races higher again. Note that I didn't mention anything about the big picture of the report being bullish... With the current big number runs of hogs hitting the kill floors, I don't think it is possible for an overall truly bullish report. It's just a matter of whether it is slightly bearish or big time bearish. Less bearish can still provide a positive reaction, but I'm afraid not a bullish change in overall market direction.

Cattle slg. ___108,000 +5k wa -8k ya
Choice Cutout __250.67 +.16
Select Cutout __246.96 -.18
Feeder Index: __217.63 +.73
Lean Index. __60.81 -.50
Pork cutout __67.25 +.43
IA-S.MN direct avg __56.78 +.57
Hog slg. ___432,000 -2k wa +24k ya

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In the grain complex, there was a mixed bag of news yesterday morning that could have sent markets in either direction. Export sales in beans were bullish at 18.6 mln bushels old crop, neutral in corn at 17.1 mln and bearish wheat at only 3.8 mln. There were private estimates out for Brazil and Argentine bean crop production that were growing compared to other recent guesses. There was also the rising tension surrounding next Tuesday's quarterly stocks and planting intentions reports. Corn and soybeans settled mildly lower, but wheat was ugly lower in a move that surprised a lot of traders and analysts.

The long term trend in wheat is still down, but the short term has been a steady move higher on technical correction as well as growing concerns over the Kansas wheat crop in particular. Midweek rains provided a small shot of moisture that had broad coverage over the state, but really some disappointing coverage in terms of total accumulation in most places with a lot of amounts there were just traces. Net/net, I still viewed the Kansas situation as a growing bullish story.

It is tough to try and balance out the friendlier Kansas HRW wheat situation with a Texas and Oklahoma wheat crop rating that gets better and better each week. It is also hard to ignore the fact US wheat as a whole is still way overpriced in the world export trade. Russia has been offering wheat this week at an \$8 discount to French offers and up to \$50 discount to US prices. The poor current US export pace was emphasized with the dismal weekly export number yesterday. Futures trade was nasty lower and it provided a fear in the market that wheat may move back to the bigger picture trend, which is lower.

Next Tuesday's report estimates on the planted acreage side have average guesses of 88.86 mln corn acres versus 90.6 mln actual last year. Bean estimates average 85.95 mln versus a final number of 83.7 a year ago. All wheat is pegged at 55.6 versus 56.8 last year.

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