



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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After closing at limit losses in the live and feeder cattle markets on most contracts on Monday, there was a lot of very nervous anticipation heading into yesterday's trade. Not only did that Monday trade not make any fundamental sense, particularly because the spot June live cattle closed at a big discount to the last cash trade, but it was a massive discount that as of yesterday's settlement was \$14 under, or in better terms, a +\$14 basis if that's where cattle trade again this week, which is highly doubtful now. Cattle complex futures started yesterday under mild pressure, moved to positive, then puked mid-morning before recovering some into the close. There were still some triple digit losses, but not nearly as weak as they were at one point during the session.

It's hard to believe this is still hangover from the COF report from Friday, but we did do some considerable chart damage Monday that has speculators eyeing an ugly chart that appears to want to make a run at contract lows again. August Feeders were \$1.67 from contract lows at their low point and the spot June Live Cattle were \$2.90 from its low point. Additionally, June Live Cattle left a big island top on the chart when it gapped lower on Monday which says to me those specs will certainly want to try and push new lows.

The problem those specs might encounter is the reluctance of the fundamentals to justify new lows right now. Cash feedlot trade last week topped at \$132 with the June board closing at \$118. I'm guessing cash will either take a deep dive, OR futures are going to come roaring back at some point. All that is going to depend on how much resolve the cattle feeder has in holding out on the packer. There was a mild amount of MPR trade at \$125 in Kansas and \$196 in Nebraska yesterday, along with some \$198 dressed trade Monday, but I wouldn't consider that a trend for the week just yet.

Cattle slg. ___ 112,000 +2k wa -3k ya
Choice Cutout ___ 223.27 -1.05
Select Cutout ___ 206.82 -.33
Feeder Index: ___ 148.85 -.57
Lean Index. ___ 78.96 unch

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Pork cutout___83.23 -.92
IA-S.MN direct avg___74.91 -.48
Hog slg.___430,000 -1k wa -3k ya

Grain and oilseed futures closed flat to mostly lower, but it wasn't without volatility. Corn came to within 1 3/4 cents of the recent high, beans were higher at one point, but also double digits lower some of the day as well. Wheat didn't do much and remains fundamentally bearish, yet still manages a higher close now and then.

When constant rains continue to trek across the Plains states, it's hard not to be bearish wheat. Crop conditions were 62% g/ex on Monday, which was unchanged from last week and 17% better than last year at the same time. The three majors in HRW wheat production had Kansas at 59% g/ex and 8% p/vp, Oklahoma at 66% g/ex and only 6% p/vp and Texas was rated 47% g/ex and 12% p/vp. We may not have a monster wheat crop, but it will be a good wheat crop. Good on bushels and likely low on protein considering all the moisture and good finish the crop is getting. A key point to keep in the back of your mind is that the marketing year that ends in just a few days for old crop wheat has a projected ending stocks total of 978 mln bushels, which is huge. New crop ending stocks are pegged at the moment at 1.029 bln which is massive. You can't ignore that data.

6-10's last night essentially remained where they had been all week with above normal temps for most of Kansas and through the East Coast. Below normal temps for the SW, including the Texas Panhandle. Precip is pegged at above normal all through the Wheat Belt, Central and Western Corn Belt and normal to above in the Eastern Corn Belt. In a nutshell, there's nothing bullish about the weather.

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