



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

**Pete Loewen, Matt Hines,
Doug Biswell, Matt Burgener
866 341 6700**

www.loewenassociates.com

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Cattle complex futures spent most of the day lower, but then closed close to their highs, which for some contract months in the live cattle that meant a net positive in the quotes. Feeders weren't so fortunate, with all but one contract settling lower still and we can solidly place the blame on the corn market for that move. Corn futures made new recent highs, actually trading up to the highest levels seen since last fall. I was a little surprised feeders held up so well.

Next week we hit FND for deliveries against the June Live Cattle contract. With zero incentive to deliver based on the futures market discount to cash, that won't mean much for the first couple of weeks this month. After that we're going to need some convergence between negotiated cash and the futures market. That point is where a lot of discrepancies of opinion come into play regarding which market moves closer to the other.

Those with a vested interest in the cash sales side of the equation are obviously rooting for the futures to come up. Personally I'm at more of a loss on what's going to happen. I'm definitely not fundamentally bullish cattle for the long haul, but I'm not a raging bear like I was for a long time either. Weights are coming down and the percent of cattle grading choice is headed lower as well. Additionally, we now have the futures price spread between lean hogs and live cattle back at historically normal price levels, which should have the retail price spread coming back in line at more normal and competitive levels as well. Those factors might all sound friendly, but keep in mind- we're expanding the beef cattle herd. That factor alone keeps me from getting bulled up. I actually think we're in a pretty fair price range in the cattle complex now.

Cattle slg. ___ 112,000 -2k wa +2k ya

Choice Cutout ___ 222.35 +1.01

Select Cutout ___ 201.17 -.20

Feeder Index: ___ 143.93 +.18

Lean Index. ___ 77.13 --.63

Pork cutout ___ 85.62 +1.27

IA-S.MN direct avg ___ 74.52 +1.58

Hog slg. ___ 436,000 +5k wa +17k ya

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Moving on to the grain and oilseed complex, interestingly enough Tuesday's crop progress report was bearish to both corn and soybeans with the planting pace at or above most expectations. The grain and oilseed complex did spend some time at lower money, but not much time. Beans closed 20+ higher on the front end, corn just shy of 10 higher on the front month and even the wheat complex had a couple of double digit gains in some of the deferred Chicago contracts and there is NOTHING on the horizon that's bullish wheat at the moment. That is, nothing except the fact wheat harvest is on the immediate horizon and if corn keeps going up we'll move quite a bit of wheat into feed channels if the price spread gets too far out of whack.

Old crop soybeans have moved the bull spreads out to levels that have the market acting like we're going to run short on beans again. I know the US is getting more competitive with Brazil and Argentina on summer export values, but that's one of those things to me that we'll have to see to believe when the sales and shipments show up. I'm not in any way saying it can't happen, but the proof will be in the hard data.

One potential reality of the market action yesterday could be fund and managed money focused. Most of these markets were under quite a bit of pressure Tuesday, which was the last day of May and then came roaring back yesterday on the first day of June. The commission monger conspiracy theory tied to that would be managed money traders getting out on the last day of the month and getting back in the next day. No idea if that is correct or not, but the market action in both those day's action can't be explained very well with fundamentals. Based on that analysis, I'll move into the file labeled "I like the action, I just can't explain or back that action up with hard fundamental data".

Pete Loewen

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Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener

www.loewenassociates.com

peteloewen@cox.net

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