



Loewen and Associates, Inc.

Commodity Consulting/Brokerage

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While the front end feeder cattle futures maintained decent support yesterday, the back end contracts along with all the live cattle contract months were moderately to instances actively lower. From the April contract on out, feeders were down in the triple digits. Live cattle had a couple of contract months down in the triples, but most were shy of that mark.

Lean hog futures were mildly higher on the deeper deferred months and aggressively higher on the spot month December. After some surprisingly sluggish numbers on the kill tally in recent days, pork packers throttled up to warp speed yesterday by pounding out a massive kill. 460,000 head of hogs were harvested and I believe that's a record. It certainly didn't match up well with \$1.00+ gains on Dec hog futures either. Technical trends in the hogs have been short term friendly since contract lows were posted on October 19th. Dec hogs have rallied \$7.25 off that low and yesterday solidly violated long term downtrending resistance. If the managed money and specs jump on this technical picture, for a short period of time it might not matter how many hogs are being killed and how bearish the fundamental picture becomes, futures could go up regardless.

Yesterday's Joplin and Oklahoma City feeder cattle and calf market sales had runs that were 1000 head or more under last year's totals. Prices at both were sharply higher with the biggest demand coming from buyers wanting long weaned calves without the health problem potential. Across the board, prices were around \$4-\$8 higher than last week.

\$3-\$5 gains in feedlot trade last week, sharply higher cash feeder cattle and now a product market that is showing signs of accelerating to the upside has the planets all lining up right for the cattle complex. Then we get days like yesterday where futures don't perform well and it gets discouraging.

Cattle slg.____ 116,000 +2k wa +6k ya

Choice Cutout__184.76 +1.65

Select Cutout__173.01 +2.85

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Feeder Index:___124.67 +2.83

Lean Index.___ 51.22 -.53

Pork cutout___74.02 +1.13

IA-S.MN direct avg___45.10 -.24

Hog slg.___ 460,000 +17k wa +27k ya

In the grain and oilseed trade, the close was very uneventful with corn and beans flat, wheat was mildly higher. There were three flash sales in the 8a.m. announcements containing 101k mt's of corn and 264k tonnes of beans. Additionally, there was 111k mt's of milo sold to unknown destination. Export inspections were very bullish in beans with 105.3 mln bushels loaded for export. The wheat total was 12 mln, corn 31.2 mln and 1.3 mln milo. While corn and wheat shipments for the marketing year to date are considerably ahead of last year's pace, milo is way behind at 24 mln total compared to 76 mln bushels last year at the same time.

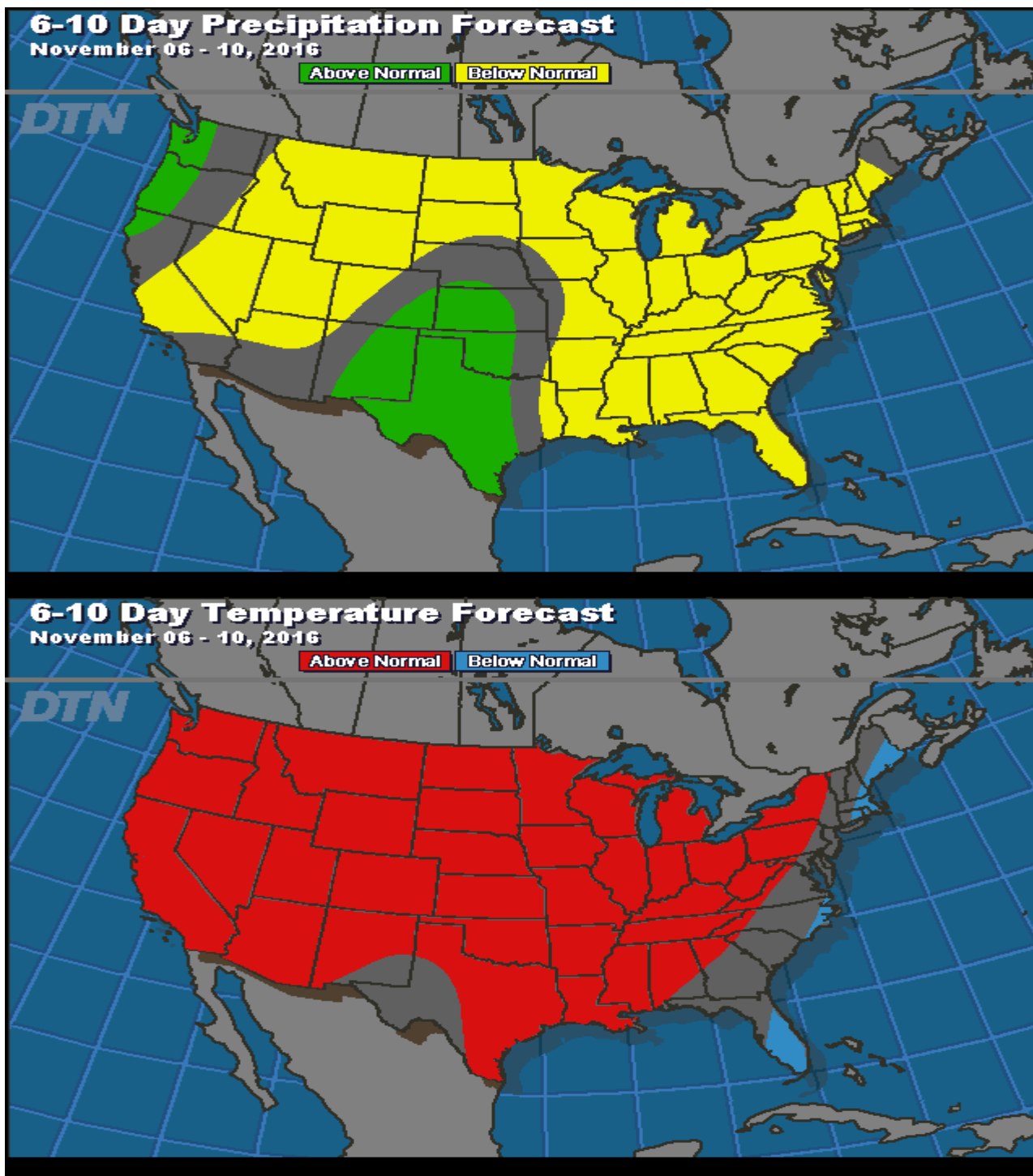
Crop progress had harvest totals finally seeing the light at the end of the tunnel. Corn harvest was 75% complete and soybeans 87% done. Those numbers are right at the averages for this time of year. Milo harvest was 76% done versus 68% normally. Winter wheat planting percent increased 7 point to 86% complete, 2% behind the normal pace. Kansas specifically was at 92%, Oklahoma 88% and Texas 75% done. Condition ratings in winter wheat showed 58% of the crop rated g/ex, down 1 point from last week, but still above last year's 49% g/ex total.

8 a.m. export reporting showed a 212k mt sale of US corn to Mexico.

6-10 day forecasts last night continued to show above normal temps over the vast majority of the country. Precip chances are above normal across nearly all of HRW wheat country and normal to below in the Northern Plains and Corn Belt. I'd consider that a bearish forecast for price as it leaves the door open for an active harvest pace and also gives HRW wheat a desperately needed chance for moisture in areas of Kansas, Colorado, Oklahoma and Texas. What's usually beneficial to production potential is unfortunately detrimental to price.

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