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Morning Ag Markets

Well it was the same story, just a different day for the cattle complex Tuesday, with outside market pressures sending both live and feeder cattle futures to mostly triple digit losses. The weakness on the board is extremely disappointing this week as the stars were lined up for more gains on the cash side. Packers have slowed chain speed considerably and have been very successful in pushing cutouts higher, with another big jump yesterday. We did start to see a few cattle trade in Nebraska at \$92 live and \$144 dressed yesterday, which is pretty much steady with last week. Most producers continue to pass all bids, an indication they are ready to dig in their heels and fight the good fight. Numbers are still very tight and feedlots will not be in a hurry to puke cattle at lower money, even with the action on the board. I would not look for any active trade in the South until very late in the week, unless a few hedged cattle get sold as some would be looking at a positive basis.

Cattle slaughter Wednesday 113,000 -9k wa -15k ya

Choice Cutouts: 157.25 +2.57

Select Cutouts: 145.96 +1.69

CME Feeder Index: 97.61 -.13

Lean Hog Index 53.74 -.72

Pork carcass cutout value 58.13 +.09

Hog slaughter Wednesday 436,000 +1k wa +9k ya

Calls this morning in the cattle complex are cautiously higher, as I really think the cash fundamentals will finally get a chance to lead the dance this morning as the outside markets seem fairly settled, at least for now. Packers are running short on cattle, which was evidenced by a couple of dark plants Wednesday, and they will need to acquire some inventory soon. If feedlot managers can dig in their heels, there is still probably an outside shot at steady money this week, even after the mess on the board the past couple of days. Bids are already around \$92 while asking prices are still up around that \$96 mark. We may see those soften a bit today down to the \$94 or \$95 level, which would put asking prices steady to a dollar higher than the bulk of last week's trade. For the open on the board this morning, I will call both live and feeder cattle 20 to 30 cents higher thanks to some short covering as well as cash optimism.

Moving over to the grain markets, Wednesday was another choppy session that saw corn and beans open quite a bit lower, recover mid-session, and then sell off a bit into the close. The action was very similar to that of Tuesday and the end result was the same. The wheat markets still managed a higher close for the second day in a row, although there was nothing fundamental behind the gains.

Overnight electronic trade last night was lower with Corn 1 ½ to 4 ½ lower, beans 2 ¼ to 7 ¾ lower, and Kansas City wheat 4 ¼ to 4 ¾ lower.

Not much needs to be said about yesterday's action, as it was a near replica of Tuesday's trade with outside markets providing some pressure that sent corn and soybeans to lower closes while the wheat markets somehow held on for a higher finish. About the only explanation for the higher wheat trade the past two days while corn and beans have been lower is the fact that the wheat markets have the largest amount of short positions, including the short side of several spread trades. If those spread trades involve long corn or beans against short wheat, the unwinding of those spread on days corn and beans are lower can send the wheat market higher. That is about all I can come up with for the higher wheat trade, as the fundamentals definitely don't justify any major moves up from here. It won't take much more of a rally in the wheat to generate some additional selling interest, as that is the most popular place for short positions right now, and for good reason.

Fresh news for the grain markets remains very hard to come by, as we have hammered the usual subjects into the ground lately. Harvest weather still does not look all that promising, with cool temperatures and periodic moisture remaining a problem over the coming days. We will see some slow progress around the showers, but in locations where it is already wet, conditions for drying out quickly are not going to be favorable. A hard freeze would be the best bet in most Northern areas, but for now we remain in a freeze-thaw cycle that is not allowing much progress.

I mentioned it yesterday but it is important enough to talk about again today-you all need to be paying attention to what your local basis is doing. I know the prevailing train of thought has been to store corn and beans at harvest and wait for a better day, especially for those that made earlier sales at higher levels and don't need the income this year. While we may very well see a rally after the first of the year heading into planting season, that doesn't mean you will be better off storing the corn or beans. If and when that rally happens, the bin doors will come open around the country and basis levels will quickly fall off the map, as there is plenty of grain out there yet to come to town. Tell me why you wouldn't take advantage of better than normal basis bids now, sell the cash grain, and keep your ownership through futures or options?? That may sound like the commission generating ploy of many other commodity brokers out there, but in this case it is actually a viable marketing strategy that you need to be looking at for your operation. Make that extra 15 or 20 cents that others will miss out on because they don't understand the game. Someone is going to do it, it just as well be you. Of course if you are not looking at a decent basis bid locally you will have to look at other alternatives, but there are still plenty of opportunities out there. Keep your eye on basis and carry in the market, as those are the absolute only two factors that should ever factor into your decision to sell cash grain.

As I mentioned earlier, news is light again this morning and we don't have the usual Thursday luxury of export sales, as that report will be delayed until tomorrow morning thanks to the Veteran's Day holiday Tuesday. The outside markets are actually relatively calm this morning, at least for now, with crude just a bit higher and the dollar a little stronger as well. The stock market has opened a little stronger this morning, so there shouldn't be any bearish influence on that front at the grain open, assuming it holds.

Calls this morning are just a shade lower with maybe a shot at a little short covering rally assuming the outside markets don't get too out of control. I would look for wheat to be the weak leg if we do turn higher, as the spread trade may return and wheat will be the short side. For the open this morning, I will call corn futures 1 to 2 lower, beans 2 to 5 lower, and Kansas City wheat 2 to 4 lower.

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