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Morning Ag Markets

The cattle complex posted its only losses of the week on Friday, giving in to some outside market pressure and finally undergoing a slight correction after big gains earlier in the week. The spot February live contract was able to fight off most of the lower trade as it remained supported by a very stout cash fed cattle market. The Southern business broke loose Friday at mostly $2 higher in Kansas at the $89 mark and up to $2.50 higher in Texas at $89.50. That was in the wake of similar jumps in the North as well, so score another victory for the feedlots as packers were forced to really open their checkbooks to get cattle bought. In addition to the higher cash business Friday, we also finally saw a decent pop on the choice cutouts, at least getting us back over the $140 mark. I'm still not sure we are going to be able to sustain cash fed cattle in the low $90s without some additional improvement on the product side, but things sure look encouraging after last week.

This week appears to be starting on a good note as well, even with the board closed Monday. The Oklahoma City auction Monday absolutely caught fire on the stocker cattle as the weather over the past couple of weeks has kept many buyers away and they showed up in force Monday. The feeder steers and heifers were just called steady to $2 higher but the stockers were said to be anywhere from $4 to as much as $10 higher. Joplin also saw the biggest gains on the lighter cattle, with anything under 700 pounds called $3 to $6 higher while the heavier feeders were called $1 to $3 better. Hopefully the recent strength in the markets isn't leading us back to the point where everyone blindly pays up for cattle and assumes the market is going to continue higher, as that betting on the come strategy has not worked well over the past couple of years.

Cattle slaughter Friday 115,000 -11k week ago +4k year ago
Choice Cutouts: 140.80 +1.63 Select Cutouts: 138.63 +.64
For the week, February live cattle were $1.95 higher and March feeders $1.42 better.
CME Feeder Index: 99.52 +.02 Lean Hog Index 67.12 +.50
Pork carcass cutout value 68.05 -.26
Hog slaughter Friday 423,000 +3k week ago +1k year ago

Calls this morning in the cattle complex are going to be higher as we kick off the short week, with the front end of the feeder market looking like it is poised to lead the way. The sharp jump in the cash trade Monday sparked that March feeder contract in the overnight electronic session with the gains reaching the triple digit mark this morning. Everything else followed suit and is trending higher as well. Throw in a bit of outside market support and it looks like we should keep the momentum going right into the start of the Holiday-shortened trading week. For the open, I will call live cattle 30 to 50 higher and feeders maybe as much as 60 to 80 higher, led by the front end.

Moving over to the grain markets, from the open Friday it looked like we could be headed for a big down day given the severe outside market pressure, but the corn and bean markets showed some resiliency heading into the long weekend and actually finished just mixed on the day, with beans moving a shade higher. Kansas City wheat futures didn't fare quite as well, as we continued to pull back in the wake of gains earlier in the week.

For the week, December corn was 10 ¼ higher, November beans 18 ½ higher, and July KC wheat 10 higher.

Overnight electronic trade last night was higher with corn 2 ¼ to 3 higher, beans 7 ¼ to 10 ¾ higher, and Kansas City wheat 7 ½ to 8 ¼ higher.

Well it looks like we are poised to start the new week off on a positive note, with the overnight grain trade holding decent gains for beans and wheat while corn futures were a little slower to join in. The ability of the markets to hold last Friday on what looked to be a pretty tough day has likely spurred a little more short covering, with some of those with fresh short positions perhaps a little uneasy after seeing the way we held in there to close out the week last week.

News to start the short week appears to be fairly light, with not much on the wires this morning that looks to have much impact on the trade today. We were set to see new NOPA soybean crush figures this morning, but that report has now been delayed until tomorrow morning at 7:30. In other report-related news, last Friday's Commitment of Traders report showed continued long liquidation by index funds as well as the managed money crowd. That sector is now net-short soybeans and not far from it in corn, and that alone is enough to provide support at times to the market, as we've seen in wheat over the past several months. Once a market is loaded up with short positions, it is often difficult to press much harder and the short covering rallies that develop often come out of nowhere or don't take much to get started. I don't think we're to that point yet with corn and beans, but it is possible we will get there.

In other news this morning, the word out of South America hasn't changed much, with big crops still coming on and a wet weather pattern in Argentina keeping the corn and bean crops well-saturated as they move toward maturity. Satellite maps show vegetative health better than the 7-year average in 85% of Argentina, so take that for whatever it is worth. The bottom line is South America is going to kick out some big corn and bean crops and eventually that is going to come into play in the global marketplace on a much bigger scale than it currently has. Need an example? Brazilian port officials say they may export a record 3 MMT of beans in February, compared to just 690,000 MT of bean exports last February. Hard to believe they can see that kind of increase and yet our export number keeps growing as well? Something has got to give at some point, especially with all the talk out of China over the past week about their government trying to rein in spending and inflation. Maybe they will end up sticking with their commitments, but history tells us that we are about done with our bean exports to China for a while once more Southern Hemisphere beans are available. The gulf bids and export market bids have already shown that, with crushers still the source of the best bean basis bids around the country.

One other export related note this morning, Japanese traders say corn imports from South America could get as high as 1 MMT, the highest since 1998. 300,000 MT are on the books now with much more expected as Japanese feed manufacturers are apparently not impressed with the quality of the U.S. corn they have been receiving. If that trend continues and spreads to other buyers, our corn export number is going to need to come down yet again.

Well that really is about it for any type of news this morning, with traders returning from the long weekend apparently in a buying mood, judging by the overnight action. With crude oil up well over a dollar and the U.S. dollar showing some building weakness this morning, the outside markets look like they will lend us a hand, at least at the open. For now, I will call corn futures 2 to 4 higher, beans 7 to 10 higher, and Kansas City wheat 4 to 8 better.

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