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Morning Ag Markets

The cattle complex was mostly lower Monday, with feeders leading the losses on the day alongside the front end of the live market. Without any big revelations or bullish surprises in Friday's On Feed report, there wasn't much there to jumpstart the buying Monday. Cash fed cattle asking prices are higher once again after the big jump last week, but with already tight packer margins traders may be starting to get a little nervous about the duration of this massive upward trend. Granted cutouts were higher again Monday and that run has been impressive, but I'm still not sure it has been enough for a cash push into the mid-90s during this time frame, although the pace we have been on would suggest that. This week's early cash guesses are around steady money with asking prices up around $94 or $95 in the South as feedlots feel confident after last week's big jump. The real question is can feedlots afford to pay it and will they do it? Even with the jump in cutouts Monday, packer margins are not looking so hot after they had to pay so much for cattle last week. Now we just wait and see if they will give in to the higher asking prices once again or if they will be able to make a stand. For now I think I'll stick with a mostly steady cash guess on the week, unless we see something crazy on the board before the trade develops.

The selling in the feeder market Monday likely came courtesy of the higher corn futures trade, as other news was light. The cash feeder trade to start this week was solid yet again, with some big numbers of cattle showing up at the two big Monday auctions in Joplin and Oklahoma City. Apparently everyone realized the cash trade had caught fire and decided it was time to move, as Oklahoma City ran through over 14,000 head Monday. That was about 4500 more than last week and close to 6000 more than a year ago. On that big of run the feeder steers were called steady to $1 higher and the calves steady to $2 higher. Their female counterparts were called just steady, as some of the more workable deals out there continue to be on the heifer side. Joplin was similar, albeit a bit stronger on the heifers. Steers were called steady to a buck higher and the heifers as much as $1 to $3 higher, led by the lighter weights. It still looks to me like there are plenty of people playing the bet on the come game with these purchases, something that you all by now should know we're not a fan of-if they won't work, why buy them?

Cattle slaughter Monday 124,000 +12k week ago +6k year ago
Choice Cutouts: 148.03 +1.32 Select Cutouts: 146.28 +1.45
CME Feeder Index: 101.67 +.05 Lean Hog Index 67.16 +.03
Pork carcass cutout value 71.35 +.43
Hog slaughter Monday 425,000 +34k week ago +2k year ago

Calls this morning in the cattle complex are really no better than mixed as the overnight electronic session was very quiet and we were mostly lower in the early morning hours. News is fairly light, as usual for a Tuesday. We did have a cold storage report yesterday afternoon, but there weren't any major surprises in the numbers to have much effect on the meats this morning. For now I will call both live and feeder cattle 10 lower to 5 or 10 higher, with the front end of the live market perhaps having the best chance at a higher open.

Moving over to the grain markets, we saw some nice gains Monday as the grain markets took off on an unexpected rally after a quiet start to the session. The news was actually pretty light and the outside markets weren't offering us much influence, but we still managed double digit gains on most corn, bean, and wheat contracts.

Overnight electronic trade last night was mostly lower with corn 1 ¼ to 1 ¾ lower, beans 3 ¼ lower to ½ penny higher, and Kansas City wheat 5 ¼ to 5 ½ lower.

Well I am sure you are all anxiously awaiting an explanation of yesterday's big gains and I wish I had a good one for you, but there just wasn't much news behind yesterday's rally-the trade was just ready to move higher apparently. Funds reportedly bought 20,000 corn, 7,000 beans, and 4,000 wheat contracts on the day as the gains just kind of built on themselves after a rather quiet open. We could sit here all morning and look for one little news story that helped jump start the gains, but it just isn't there. Of course with the higher trade comes the little tidbits from the bulls as to why they think the market rallied and while the sum of all the little stories may be good enough for a little support, there is no way it justifies Monday's gains. Not saying we weren't glad to see the higher trade, but it sure makes a guy feel a lot better when you can pinpoint something significant behind a move like that.

So what are some of the bull arguments floating around out there? There was some talk about heavy rains in South America causing some potential problems with harvest delays and what not, but as I mentioned, that alone doesn't justify the gains Monday, especially with the widespread assumption that the South American crops are already big and Brazil's harvest was already 5-6 days ahead of normal. Here in the U.S. the talk has picked up about the snow cover and cold weather still gripping much of the Midwest, with the grumbling starting about spring flooding, the lack of fieldwork done last fall, late planting, etc. Keep in mind it is still February and it is still Winter. Could a wet spring wreak havoc on producers and their intentions? Sure, but we all know it is pointless to be predicting spring weather at this point and the market darn sure isn't trying to either.

As I mentioned there just wasn't much other news to start the week, other than word over the weekend that Bunge was closing a soybean crushing plant in Illinois, the second closure announced in the last week. The closings will reduce crushing capacity by 55 million bushels a year, a fairly significant chunk. Poor margins, lack of bio diesel demand, and inefficient operations were all cited as reasons for the closings. There could be more of these down the road, which could eventually further cut into our domestic soybean usage.

Well there really isn't much news to start today's session either, with the overnight grain trade moving a little lower in response to lower crude and a strengthening dollar. I think it may be a little tough to extend Monday's gains much more without some significant news or outside market help and it looks like we are ready to take a little breather today, at least at the open. We are approaching first notice day on the March contracts this Friday, and open interest is coming down in a hurry. The March-May spreads have moved to near full-carry for corn and wheat, something to consider for those with grain in storage. If you don't know what that means, take some time today to pick up the phone and give me a call or do some research on your own to figure out why that should be important to you.

Calls this morning are going to be a little lower with the outsides giving us just a bit of pressure and the markets look set to correct slightly from yesterday's big gains. For now, I will call corn futures 1 to 3 lower, beans mixed to 3 or 4 lower new crop, and Kansas City wheat 4 to 6 lower.

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