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Morning Ag Markets

The cattle complex started the week on a positive note, led by the spot April live contract which finished with triple digit gains despite the fact the cash fed cattle trade was just at steady money late last Friday. It appeared to be just another day of big fund buying in the cattle as they continue to increase their record position. There is no doubt that has been a big driver as of late, helping to push into or very close to new contract highs on most live and feeder contracts. Getting back to the fundamental side of things, April futures are now sitting over $2 higher than the bulk of last week's cash trade in the South, leading many to think we will see cash pulled higher this week. Going to be hard to do that unless cutouts can get it back together again and get choice back over the $150 mark, as packers don't have much incentive to pay up. They did get quite a few cattle bough Friday, especially in the South where they hadn't done much the week before. Feedlots will try to dig in their heels again this week, and Monday's board action will definitely help their attitude at this point. For now I have a hard time calling cash better than steady, but if the April board stays over that $94 mark I would imagine we'll see cash come up again whenever that business gets going later this week.

The cash feeder trade was actually fairly subdued Monday, with Oklahoma City called steady to $1 lower on the heavier feeders and the stockers just steady on another large run of cattle with over 15,000 head brought in. Joplin's trade was similar, with the feeders called steady to $2 lower and the strongest trade coming later in the day after the board had done its thing. I know a lot of you out there have cattle bought from several weeks ago that look awfully good at the current prices, so I would encourage you to do some soul-searching and think about getting some protection in place if you have yet to do so. Do I think the bottom is about to fall out? Not necessarily, as it is hard to make that statement when we're at contract highs on several live and feeder months and we are still going to be dealing with smaller numbers of cattle moving forward. I'm just saying don't bank on the run continuing forever if the market has already helped you out by offering an attractive profit at current prices.

Cattle slaughter Monday 120,000 -2k week ago +2k year ago
Choice Cutouts: 149.29 -.30 Select Cutouts: 148.11 unch
CME Feeder Index: 102.44 +.36 Lean Hog Index 72.38 +.69
Pork carcass cutout value 74.72 -.99
Hog slaughter Monday 414,000 -15k week ago -5k year ago

Calls this morning in the cattle complex are going to be mixed to maybe a little lower, depending on how much follow through we get from Monday's gains. The outside markets are adding a slight bit of pressure this morning and that may slow down some of the fund buying that has helped push us to these levels, but the electronic cattle trade was just holding mixed this morning. For now, I will call both live and feeder cattle anywhere from 10 lower to 10 or 15 higher, with the front months of both the live and feeder market likely having the best chance at a higher open.

Moving over to the grain markets, last week's choppiness carried over into Monday's trade as there was little news or outside market influence to push us big in one way or the other. Traders will be marking time until Wednesday morning's reports and there just hasn't been much conviction in the daily moves lately. Beans were able to hold the strongest on the day followed by wheat and corn, as traders have one more session to position ahead of Wednesday's numbers.

Overnight electronic trade last night was lower with corn 3 to 4 lower, beans 6 to 7 ¼ lower, and Kansas City wheat 2 ¼ to 3 ¾ lower.

Well Monday was just another choppy session similar to what we saw much of last week, with beans continuing to gain on corn and wheat. While that has been the general trend for a week or so, usually after a couple days of that we see corn and wheat play catch up a bit, and that looks exactly like what was going on last night as beans weakened up a little more than corn or wheat. In the end it is the same choppy trade over and over again and I will be glad to get some fresh news tomorrow morning to work with.

The average guesses for tomorrow's report show most analysts aren't really looking for much change in the corn ending stocks number, with the average guess around 1.716 billion for this year's corn carryout, compared to 1.719 on the Feb. report. Most expect a slight reduction in exports and possibly other usage categories as well, which would offset any production decreases that come from the re-surveyed areas. I wouldn't count on too much of a production decrease and I would say there is still a chance we see a larger corn carryout if production isn't cut much. The average guess on the production number is 13.081 billion bushels, down a bit from 13.151 billion in January. Basically that means most expect around a 70 million bushel reduction in usage to keep ending stocks close to the same as we saw on the Feb. report. The soybean carryout is guessed at 195 million bushels, down from 210 in Feb. and getting down there around the historically tight level. The bean production number is guessed to come down to around 3.35 billion from 3.361 in January, so not much change there. The change in ending stocks is expected to come from an increase in exports and perhaps crush, although the monster South American crops may have something to say about that in the end. Wednesday's report shouldn't hold much for the wheat market, as I don't think there is anything they can change on this report to alter the overall bearish fundamental outlook for those markets.

While tomorrow's crop report will get most of the attention during today's session, there are a few other minor headlines this morning worth mentioning as well. Brazil's crop agency Conab released its March report this morning estimating the bean crop at 67.5 MMT, up from 66.7 last month. That puts this year's crop nearly 370 million bushels larger than last year in Brazil alone, not even taking into account Argentina. In other bean news, the Senate is set to vote today on the new jobs bill, which as crazy as it may sound, contains a 1 year extension of the $1 gallon biodiesel tax credit. There is still some talk that this could be removed before the vote today, but it is vitally important to the increased biodiesel/soybean oil usage.

And in a bit of wheat market news, the Kansas wheat crop was rated 60% good to excellent yesterday, up from 53% last week as we got some warmer weather combined with plenty of moisture and things are starting to look up in many areas. With rain across pretty much the whole state yesterday, lack of moisture will not be a problem for a while in most parts of the country's largest wheat producing state. For reference, 55% of the KS crop was good to excellent at this time last year. I know acres are down and there was a lot of late planted wheat and other issues, but we still have the potential for an average to above average crop in the hard wheat belt this year, adding yet another tally mark in the unfriendly side of the wheat market fundamental ledger.

Calls this morning are going to be weaker following the outside market action and the overnight trade. Most of the headlines this morning lean to the bearish side and we could see some fund liquidation ahead of tomorrow's reports, so about anything could happen I suppose. For the open, I will call corn futures 3 to 5 lower, beans 6 to 8 lower, and Kansas City wheat 3 to 5 lower.

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