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Morning Ag Markets

The cattle complex was just mixed on the day Tuesday in fairly quiet, choppy trade. Live cattle futures hung in there fairly well, able to resist some early selling pressure and finish higher for the most part, with the exception of the spot April contract. Cutouts were up sharply again Tuesday and we are off to a good start for the week on that front, although movement has been nothing better than light. At least packers have been able to push cutouts a little higher, but we need to see them able to move a little more product at those levels. With asking prices as high as $97 in the South currently, we are a long ways from seeing any cash trade for the week. Feedlots still they have the momentum and they will not be giving in to lower bids anytime soon, or even steady bids for that matter. At this point I think we have to expect trade at no worse than the $95 mark this week, which puts us even with the top end of last week's Texas trade and a dollar higher than the bulk of the Kansas business. If the board can build some additional strength before the trade gets underway, you probably can't rule out even higher money.

The feeder market acted a little more worn out on Tuesday, with some moderate losses building at times before we recovered a bit into the close. The spot March contract remains supported by a rising cash index as we get into the last week or so of the life of that contract, but we saw some of those summer months back up a bit Tuesday. We have fielded a lot of calls this week from people who have had grass cattle bought for a while now and haven't implemented any sort of risk management up to this point, now they are looking for the magic answer to protect some of the newfound profit but they are also worried about missing out if the market moves higher. Unfortunately feeder options aren't overly attractive due to their cost and thin volume, and I think you give too much up in buying those put options. August futures are around $109 and that's what I would want for a floor- not spending a couple bucks for a floor $7 to $8 below that. If you are staring at respectable profits right now, and I know there are a lot of you in this camp, don't be afraid to either look at selling futures or shop some cash contracts. I know everyone is scared to death of margin calls, but if your lender won't back a cattle hedge that protects a sizeable profit that you can show him, find a new lender or tell them to give me a call, I would like to hear their reasoning. Better yet, find a way to cash contract the cattle if you can get a decent basis bid and be done with it. Let the guy down the road worry every day about when the market may top-lock in good profits and move on to your next project. If your cattle aren't profitable at these levels, you likely paid too much for them and I hope the market continues higher so it all works out in the end.

Cattle slaughter Tuesday 124,000 +1k wa -2k ya Hog slaughter 425,000 +28k wa -1k ya
Choice Cutouts: 152.52 +1.69 Select Cutouts: 150.71 +1.77
CME Feeder Index: 102.58 +.25 Lean Hog Index 74.45 -.50 Pork cutout value 73.08 -.97

Calls this morning in the cattle complex are just mixed to a little higher once again as we continue to wait for fresh news. The live market was looking a little stronger in the electronic trade this morning, led by the spot April contract as traders look for the upward trend to continue in the cash market this week after watching cutouts climb steadily the past two days. Hard to argue with that as feedlots will definitely feel like they have the upper hand when it comes to forcing the trade higher. There is still the little matter of a cattle on feed report Friday, but I doubt there would be any major bearish surprises there that could trump the recent strength seen in futures and cutouts when it comes to influencing this week's cash, assuming the business isn't already underway by then. For the open on the board this morning, I will call live cattle 10 to 20 higher and feeders maybe just mixed to 5 or 10 better.

Moving over to the grain markets, we had a pretty decent day Tuesday, led by some short covering in beans and wheat that took us to decent gains. The outside markets helped quite a bit by way of higher crude and a weaker dollar, as other supportive news was really pretty light on the day. Corn futures were a little more subdued but still higher throughout the session, although you'd be hard pressed to find much fundamental news behind Tuesday's gains.

Overnight electronic trade last night was a shade higher with corn 1 ½ to 1 ¾ higher, beans 1 ¼ to 2 higher, and Kansas City wheat ¼ to ¾ higher.

Well Tuesday's higher trade got the rhetoric flowing again with regards to the grain markets and why we were moving higher and why it should continue, but in the end I think you place most of the strength on the outside market support from big crude oil gains and a weaker dollar. The other talk floating around Tuesday included worries over a potential labor strike in Argentina as their inflation rate is skyrocketing and their powerful labor force is beginning to want some wage concessions to help deal with the inflation. We see this almost every year down there and it always peaks at times of high activity, which they are about to have as harvest gets underway. If serious labor stoppages take place, that would likely help our corn and bean export trade and perhaps provide a little short term support to our markets. There has been some talk of port delays in Brazil as well, but officials state the congestion has not been nearly as bad as last year. Port officials say the average delay is about 10 days for ships loading beans, while last year those delays pushed 30 days at times. Any disruptions in the South American movement of new crop corn or beans could have some potential short term basis implications in our markets, but it will be just that-short term. We still have some problems with the Chinese as well, with many thinking we are on the verge of an all-out trade war with currency valuations at the heart of the debate. Who knows what that means for our Chinese soybean trade, but it can't be that beneficial. In the end all of this talk Tuesday may or may not have driven the price action, but anytime the markets make somewhat notable moves, there will always be an increase in the rhetoric as everyone scrambles to explain the trade.

The weather talk is also picking up again with another major storm headed for much of the Midwest this weekend. This is more of a western Corn Belt scare, where the ground is already saturated from the recent snow melt and flooding has already been a problem. The Eastern belt is a different story, where warm temperatures and clear skies are helping dry things out and some will be thinking about fieldwork before too long. That is just a far off dream for most on our side of the Mississippi, but keep in mind there is still time. On a brighter weather note, the latest 6-10 and 8-14 day government maps show below normal precip for the majority of the Midwest and temperatures moderate again after this weekend's cool down. We can only hope those hold true for now, but at least for the time being the extended forecasts look better once we get through this weekend's mess. Some forecasts are calling for anywhere from 5 to 12 inches of snow for Eastern Colorado, Kansas, and much of Oklahoma, depending on how cold it gets. Not good news for most, although I suppose it will just be another big shot of moisture for the wheat crop that has already had plenty so far this winter and is coming out of dormancy in pretty darn good shape throughout most of hard red winter wheat country.

That is about it for news this morning, with the overnight trade a little stronger as the outside markets are still a little supportive and we saw a little follow through last night from Tuesday's gains. Traders will still be watching for any developments in Argentina with their labor force, but some sources indicate they don't expect any major stoppages. Weather forecasts will also be in the back of trader's minds and slowly moving to the front over the next few weeks. Other than that, major market moving news remains light and I still think it will be hard to generate any major moves in either direction for a bit as most of these markets remain rather range-bound. For the open this morning, I will call corn futures 1 to 2 higher, beans 1 to 3 better, and Kansas City wheat steady to 2 higher.

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