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Morning Ag Markets

The cattle complex continued to grind higher Wednesday, with the gains once again led by the spot April live cattle contract that is finding support from thoughts of higher cash trade again this week, whenever that business should get underway. We have now seen choice cutouts come up nearly $4 in just 3 days so far this week, as packers have been successful in pushing those values higher, although it has come on light movement. No real surprise there and the next week will be key to sustaining this move higher on the cash fed cattle side of things. If we can continue to push the product higher and move it out the door, you can’t rule out more cash gains over the next few weeks. I am a little skeptical about packers being able to move adequate amounts of product at these higher prices, but the feedlots definitely have the upper hand for now when it comes to market psychology as we start to head into springtime where hopefully the grilling demand kicks in and helps support these higher prices for an extended period of time.

This higher trend lately is being driven by two things that we have discussed repeatedly-supply-side friendliness and the newfound love of the cattle markets from investment funds. With another weather system approaching much of cattle country this weekend, the mud situation is not getting much better, especially in the North. We are also moving into a time period of smaller available numbers and that combined with carcass weights well below a year ago puts the supply side of the situation definitely on the friendly side. Now we just have to wait and see how long the demand side can sustain these higher prices, but as long as the board hangs in there the feedlots are clearly in control and that should bode well for this week’s cash business.

Average estimates for tomorrows on feed report have total cattle on feed at 96.8%, placements at 98.2%, and marketings at 102%. Fairly friendly numbers for the market and that could potentially be influencing some of the strength so far this week leading up to the report, as the total number of cattle on feed is expected to come in close to a 7-year low.

Cattle slaughter Wednesday 125,000 +5k week ago +2k year ago
Choice Cutouts: 153.60 +1.08 Select Cutouts: 152.39 +1.68
CME Feeder Index: 102.68 +.10 Lean Hog Index 73.88 -.57
Pork carcass cutout value 74.68 +1.60
Hog slaughter Wednesday 424,000 +9k week ago +1k year ago

Calls this morning in the cattle complex have to be higher again as the overnight electronic trade was showing some additional strength this morning, with some contracts up 40 to 60 cents. The cash optimism continues to drive the front end of the live market and feeders are being tugged along as well. Traders will be on the lookout for cash business today as there were a very small number of cattle traded last night in Nebraska at $152 dressed, which would be as much as $4 higher. Packers will likely try to hold off as long as they can in damage control mode, especially with an on feed report tomorrow. Bids are still just $92 in the South, so they are going to have to come up $3 to $4 in a hurry to get anything bought down there today. For the open this morning, I will call live cattle 20 to 40 higher, led by the front end, and feeders maybe as much as 40 to 50 or 60 cents higher.

Moving over to the grain markets, we saw some notable strength Wednesday thanks to some continued outside market support as well as an increase in weather worries as another storm prepares to move into the Midwest, bringing more moisture to areas that could go a couple months without rain and be fine. Other major news was light and we are now moving back up toward the upper end of the recent trading ranges after probing the lows just a few days ago.

Overnight electronic trade last night was a lower with corn 4 ¼ to 5 ½ lower, beans 10 to 10 ¾ lower, and Kansas City wheat 5 ¼ to 6 ¾ lower.

Well we were able to put together a second day in a row of some decent gains yesterday, with the outside markets once again adding some support and the index funds stepping in with some mid-month buying to give us a nice little bounce off of mostly oversold conditions from late last week. That helped turn some of the short term technicals stronger and the result was a little more buying Wednesday as we finished with nice gains across the board. Fundamentally there wasn't a lot of news yesterday, other than the weather bulls continuing to tout the delayed planting argument as another weather system prepares to move into the Midwest. It does look like they are backing off a bit on the moisture for much of the Western and Northern Corn Belt, so that was welcome news. Also, the 6-10 and 8-14 day government maps continue to show below normal precip for the entire Midwest, so hopefully that holds true and we can start this long drying out process and see some fieldwork begin in earnest soon.

The overnight trade last night set back on fairly large volume as the outside markets went through a correction of their moves from the past couple days and the grains followed suit, with some pretty large volume for the night session. In the end the grains remain in their wide trading ranges from the past few weeks and I'm guessing we see that continue leading up to the March 31 planting intentions report as well as the quarterly grains stocks numbers, which will also be somewhat important, especially to the old crop market.

We did get a look at weekly export sales data this morning, at least giving us a tiny bit of fresh news to work with. You all remember what happened last week with the negative weekly bean export sales total, and luckily we avoided that this morning, at least for one week anyway. Bean sales came in at 7.9 million bushels, within the range of guesses from 5.5 to 9 million but still not an overly impressive number. Unless we see major logistical problems in South America, we need to get accustomed to small or negative weekly bean export sales totals. Corn sales were fairly solid last week, coming in at 29.4 million bushels after most were looking for 16 to 26 million. Wheat sales were 11.95 million bushels, near the low end of the guesses from 11 to 17 million. In the end no real market moving numbers in the export data this morning and not really enough to trump the overnight losses at the open this morning.

There really isn't an abundance of other news this morning, with a lower open looking likely after the overnight action and nothing in the way of news to spur any new buying interest. We'll have to keep an eye on the outside markets into the open for a better indication of just how much lower we will open, but for now it will likely be pretty close to being in line with the night session.

For now, I will call corn futures 3 to 5 lower, beans 6 to 9 lower, and Kansas City wheat 4 to 7 lower.

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