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Morning Ag Markets

Pete Loewen

Interesting trade in the cattle complex on Tuesday with moderate lower fed cattle futures action and actively lower quotes in feeders with most contracts down in the triple digit range. Cash cattle trade was moderately active in both Texas and Kansas at mostly steady prices with a week ago. $99.50 -$100 was the Texas trade and $100 even bought cattle in Kansas early although there was some $99 trade reported later. Nebraska trading was reported at $100 to $100.50 later in the day. Given the wide range of trade from last week we'll call that steady to maybe even $1.00 lower because it fell in the middle to lower end of what was reported from the previous week.

In the feeder cattle and calf market trade, there have been some HUGE runs this week in the south and of course the demand everywhere remains strong. Oklahoma City had over 12,000 head on their Monday run and that was up from 6600 last year at the same time. For those that didn't get their calves bought early for turnout this spring, the next 10-20 days will keep a strong shelf of support under that light to mid weight calf market. Mid to heavy weight feeders are finding continued support from the fact the feedlot sales have been sharply higher, profits are finally flowing on closeouts and that has the attitudes improving and the wallets opening up for another round of cattle. The one "given" about that equation though for everyone is that there is a massive amount of capital outlay needed on a per head basis to own anything right now. Granted, we went through a long stretch from 2004 to most of 2008 when feeder cattle and calf prices were every bit as high or higher as they are now. However from the winter of 08' through 2009 things were a LOT cheaper too and that is still what's fresh on the mind. We've had a $25/cwt jump in spot feeder prices since December and with that has come a BIG sticker shock! What is important now is managing price risk and profitability, because when this bubble finally bursts, the downfall will be fast and ruthless.

Cattle slg.___126,000 unch wa +1k ya

Choice Cutout_166.92 +.60

Select Cutout_164.50 +1.18

Feeder Index:___113.81 +.50

Lean Index.__ 75.94 +.42

Pork cutout__81.25 +1.43

IA-S.MN direct avg__74.72 +1.22

Hog slg.___406,000 -14k wa -21k ya

Overnight trading in the hogs have been mixed to mostly higher, so the calls should be mildly supported. Cattle complex trade has been mixed to mostly in the red, particularly in feeders. With cash feedlot trade still in the $99-$100.50 range and spot April futures in the low $98's, I wouldn't expect any significant downside on the front end of the live market.

In the grain trade, there was mixed trade through most of the session, but a late day surge of buying brought prices all up onto the north side of unchanged. Planting progress on Monday afternoon's report was lighter than expected, which might explain the higher corn close, but beans and wheat didn't have as much incentive- yet still closed strong. The weather picture is bearish and fundamentals aren't friendly either, so days like yesterday can be chalked up to what we like to refer to as a "corrective bounce".

Overnight E-CBT trade was__ mostly higher with KC Wheat -1/2 to +1/2, Chicago -3/4 to +1/2, corn -1 ¼ to +3 ¼ and soybeans -1/4 to +6 ¼.

NOPA March crush was released this morning, but shouldn't have much impact on the trade. Actual crush was 149.6 mln bushels against an average guess of 148-151 depending on which newswire did the poll. Part of the reasoning behind the strength on the front end of the bean market is from old crop import demand from the Chinese. There were old crop sales reported to them on Monday, but it didn't make a lot of economic sense compared to Southern Hemisphere product. Rumors are surfacing that they will continue to actively shop the US for supplies in the short term. However, with rallies like we had yesterday and in the overnight in the May and July futures, South American farmer selling is increasing. That will move more of their product into an exportable position and likely make stiff competition for US price. I still don't believe you can make a bullish case longer term from this, so perhaps the best approach should be to hope it gives new crop prices enough spillover boost to increase marketing of new crop.

On the weather front, 6-10's went cooler for the Southern Plains and Southwest, but still warm in the northern part of the Corn Belt. Below normal precip was forecast for most of Iowa, Minnesota, Illinois and the eastern Corn Belt. It was wet in the Plains and Delta. Rainfall totals through the weekend from this system I talked about on Monday have lessened somewhat which might actually be more beneficial than what was reported previously. Earlier in the week, some of the totals in Oklahoma and the Panhandle region were upwards of 4 inches and now those have backed off to 1-2 ½ inch totals. So, we took it from potentially flooding rains, to perfect, timely rains. This will be good stuff for the wheat crop if those areas get all that is forecasted.

In the big picture, there isn't much change on the fundamental front other than the potential Chinese bean business. The technical picture however, looks like it is building more short term friendliness. Follow through is what's needed to make it legit!

I'm calling corn 2-3 better, wheat a penny higher and beans 2-6 better at the start.

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