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Morning Ag Markets

The cattle complex was higher to start the week as we found some fresh buying interest in the wake of last Friday's on feed report. The open Monday morning wasn't quite as impressive as some thought it might be in the wake of the report, but the gains were able to build throughout the session. Feeders led the gains but we also saw some of those summer live cattle contracts push right up against their contract highs after the lighter than expected placements number released Friday. After seeing only steady to in some cases lower cash fed cattle trade last week, the market needed another little kick in the pants to push us higher and the on feed report may have done it. Cutouts were up nicely again Monday, with choice now up over the $170 mark. While spot beef movement has remained rather light, forward sales have made up most of the product trade lately and last week brought the biggest forward sales total since January. Apparently some retailers threw in the towel and are trying to get Memorial Day needs taken care of despite the high prices. The real question still remains-can the consumer support these higher price levels by continuing to buy beef once the recent higher prices get pushed down the line to the meat counter. Time will tell, but I'm still not quite convinced.

The cash feeder trade to start the week had a little better tone to it, with Joplin $2 to $5 higher on the lighter cattle and steady to $2 higher on the bigger animals after we saw a little slowdown in the trade at last Monday's auction. Oklahoma City had a pretty big run of cattle yesterday after the weather kept last week's numbers down, with the feeders selling $1 to $3 higher for the most part while the calves were just called steady.

Cattle slaughter Monday 125,000 unch week ago -1k year ago
Choice Cutouts: 170.17 +1.21 Select Cutouts: 166.73 +1.01
CME Feeder Index: 112.80 +.41 Lean Hog Index 82.48 +.74
Pork carcass cutout value 90.71 +.41
Hog slaughter Monday 408,000 -1k week ago +2k year ago

Calls this morning in the cattle complex are set to be a little higher again as we saw a little follow through buying last night and into this morning, with the electronic trade still holding in positive territory for the most part, with the exception of some of the deferred live contracts. With the cash feeder trade leaning stronger Monday, cutouts up big, and the lasting friendly implications from Friday's on feed report, the news has been pretty supportive to start the week. Unless we see the board break, I don't think you could rule out seeing the Southern cash business push that $1 mark, with the soon to expire April live contract testing that level. For the open this morning, I will call live cattle 5 to 15 higher and feeders maybe as much as 15 to 30 cents higher.

Moving over to the grain markets, we tried to start the week on a better note with a higher open Monday morning, but as the day wore on the grains gave in and we finished just a shade lower on the day for corn and beans. The wheat markets stole the show Monday, with a slightly higher open giving way to a major break in prices midday and we never recovered, finishing sharply lower on the day.

Overnight electronic trade last night was lower with corn 2 ½ to 4 ¼ lower, beans 6 to 8 lower, and Kansas City wheat unchanged to ½ penny lower.

Well Monday was shaping up to be a fairly uneventful day after Sunday's night session gains translated into a little better open Monday and the markets seemed content to just chop around a bit.

That was until something went haywire in the wheat trade and prices went from a few cents lower to over 40 cents weaker in Chicago and over 20 cents lower in KC. We quickly bounced back from the lows but the damage was already done and we stayed sharply lower throughout the rest of the day. Usually when something like that happens, the blame usually goes to a fat-fingered order or some other sort of trading error, but most of the blame Monday just went to a large amount of sell-stops. Whatever the reason, it made for an ugly start to the week for the wheat markets.

The biggest news Monday had to have been the weekly Crop Progress report, which showed overall corn planting at 50% complete, beating the all-time record for this date set in 2004. That is a 31% jump from last week and we are now 30% ahead of last year's pace and 28% ahead of the 5-year average. Iowa made the big move last week after Illinois was the star the week before. Iowa is now 68% planted, a 49% jump from the week before and 45% ahead of normal. With Illinois at 73% planted, they are an incredible 69% ahead of last year's pace and also 45% ahead of normal. Everyone likes to make the correlation between early planting and higher yields, so it looks like we will definitely get a chance to test that theory this year, assuming Mother Nature cooperates. The recent wetter weather will slow fieldwork a bit, but with half the corn in the ground in April, it will take something major to spook the corn market into a delayed planting rally at this point.

Winter wheat conditions on Monday's Crop Progress report stayed the same overall, with 69% of the crop still rated good to excellent. Kansas made another 2 point jump to 73% good to excellent with just 4% of the crop rated poor to very poor. Texas did see a slight decline, dropping 2 points to 59% good to excellent while Oklahoma came up another point to 75% good to excellent. Throw in Nebraska up 8 to 74% good to excellent and Colorado up 3 to 80% good to excellent, and you can see that this year's hard red winter wheat crop is coming on strong. Development is lagging normal just a bit, but that shouldn't be a surprise given the late planting and weather over the past few months. One other wheat note from the Crop Progress report-spring wheat planting is running well ahead of normal with 43% of the crop in the ground, up 23% from last week, 29% from last year, and 16 points ahead of last year. As you can see, the fundamental news is still about as far from bullish as you can get for the wheat markets, but the trade will continue to be influenced by the big money moves and technicals more than anything. Last week I'm sure is fresh on everyone's mind, when we started with big losses Monday and then came screaming back. Hard to tell if that's in the cards this week, but if it happens, it will have nothing to do with fundamentals.

In other news this morning, the reported low temperature from Goodland showed 26 degrees with some other below-freezing marks coming in from Western Nebraska and Eastern Colorado. The cold pocket didn't appear to be very large, but I suppose we could see some isolated wheat damage. Unfortunate for those where it occurred, but as a whole, it will not be a market-moving event. Forecasts are still pretty cool for next week and I'm sure with the active early corn planting pace that the weather-watchers will be quick to point out the potential problems with a May freeze, so that could always be a factor as well. For now there aren't many threats in the forecasts, but that can of course change in a hurry.

Opening calls will be a little lower corn and beans as we weakened up into this morning on the electronic trade and the outside markets are adding a bit of pressure as well with lower crude and a stronger dollar. For now, I will call corn futures 2 to 4 lower, beans 5 to 8 lower, and Kansas City wheat 1 to 3 lower.

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