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Morning Ag Markets

Pete Loewen

Friday was a horrible day for the meat complex with triple digit losses prevalent across the live cattle, feeders and the hog market as well. Feeders and fats both had numerous contracts down over $2.00 as well. We were working on a steady week as far as the weekly charts were concerned, but Friday changed that picture significantly. It also led to a lot of questioning after the close whether this was "it" for the cattle and hog markets now…??

Outside markets were under moderately heavy pressure with the DOW down over 100, the dollar was quite a bit stronger and crude was down. Those outsides have been chopped around really hard over the last two weeks and they've done it without too much reaction out of the meats so far, but Friday was different. It wasn't that the volatility was any heavier in those outside markets than what we'd seen previously, but the reasoning cited coming out of the pit during the session was definitely tied to sympathy with the economic pressure from world and US markets.

Cattle slg.___wtd 671,000 -2k wa -6k ya

Choice Cutout_169.26 -.53

Select Cutout_164.32 -1.84

Feeder Index:___112.55 -.15

Lean Index.__ 88.60 -.11

Pork cutout__91.81 +1.00

IA-S.MN direct avg__81.65 -3.50

Hog slg.___ wtd 1.948 mln -24k wa -125k ya

Weekly closes in the livestock markets had the May hogs down 30 cents, June Hogs down 1.97, May Feeders down 2.20, August Feeders down 1.90, June Live Cattle down 2.65 and August Live Cattle down 2.20.

There are a lot of conflicting sides to the meat market direction this week. Some of the cash hog trade was under heavy pressure on Friday, but yet cutouts were up $1.00. Cash cattle traded $100 last week, but beef cutouts were under moderate pressure on both Thursday and Friday. I don't think the futures in either the cattle or the hogs were driven by ANY actual product or cash market factor, but I do think what happened in the futures on Friday is going to impact the cash and product- negatively.

Calls this morning are consistently lower, but there is a lot of varying opinion as to the degree of the drop today. The DOW is mildly lower, the dollar mildly stronger and crude mildly lower, but nothing significant in any of them. I think the meats should start out in the range of maybe 30-50 lower.

Grains fell under the same spell as the rest of the commodity world on Friday with pressure noted on everything across the board. Beans were down in the double digits and corn had one contract with a double digit lower mark. Actually, if it hadn't been for Friday's weakness, beans would have closed higher for the week and corn higher as well. The wheat weekly close was ugly!

Weekly closes in the grains had july Chicago wheat down 39 cents, July KC wheat down 30 cents, December KC Wheat down 29 ¾, December Corn down 6 cents and November soybeans down 8 cents.

Overnight E-CBT trade was__ mixed to mildly higher in wheat and lower in corn and beans. The grains were actually under decent pressure late last night and through the early hours this morning, but came back nicely into the 7:15 close this morning. KC Wheat finished -2 ¼ to +1 ½, Chicago -1 to +1, corn -3/4 to -4 ½ and soybeans -5 to -11.

In the news this morning, estimates for this afternoon's crop progress report are looking for 40%-45% completion in soybean seedings and a corn condition rating that is 65%-75% g/ex. Corn plantings should be somewhere in the low 90%'s.

A top official at COFCO noted that China had not bought more than 6 cargoes of US corn and also that if Chinese corn prices would stabilize and quit rising that they likely wouldn't be in the market for any more US corn soon. We've certainly seen this kind of ploy before and there is no telling if the official was speaking the truth or if they'll be in for a whole lot more in the near future. Sometimes they use statements like that as scare tactics in an effort to drive price lower so they can buy it lower and I wouldn't rule that out by any means.

Russia has a record carryout projection of 26 mmt's versus 22.6 mmt's last year, which means they may have quite a bit of grain to offer on the world market. This is just another nail in the coffin for the wheat market that is already struggling with burdensome world and US supplies. Domestically, we have a major problem coming at us with storage space still filled up in many areas from last year's crop and the potential for there being nowhere to go with this year's production. We're seeing this reflected in sinking basis bids out in the country already and if futures don't move sharply lower very soon you can expect basis to continue to weaken all the way into harvest. If you don't believe that than just start calling around and asking for new crop HRW wheat basis bids and see what they tell you…

6-10's out last night were looking at above normal precip in the Plains, normal in the Midwest and above normal temps for the entire Plains and Corn Belt. The western US was cool. This kind of weather is going to be conducive to an active planting pace once again by the end of the week and also some very good wheat development. There's hardly anything bullish about that either.

I'm calling wheat mixed this morning, in line with the overnight. Corn and beans should start out 2-4 lower each. All of these calls could be adjusted depending on how the outside markets react between now and the 9:30 open.

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