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Commodity Brokerage/Consulting

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Morning Ag Markets

The cattle complex finished with some very mixed closes on the day Wednesday, but it wasn't without some action. Early in the session it looked like we were headed for more notable losses as some contracts pushed triple digits in the loss column before we finally found some buying interest later in the day that brought us back closer to unchanged. The outside markets added some pressure again early Wednesday with more losses in the equity markets and there wasn't really anything else to attribute the buying interest to other than perhaps we had finally gotten a little oversold. That May feeder contract that expires a week from today showed the most strength by the close, perhaps in an effort not to get too far away from the cash index that is still holding over a dollar and a half over futures.

We did see some additional cash fed cattle trade Wednesday, with the Nebraska trade taking a big hit on some dressed business that was done at $155 to $157, $6 to $7 lower than last week. The few live sales in the North were $3 to $4 lower at $96 to $97, in line with the $97 to mostly $97.50 trade seen in the South so far this week, which was $2 to $2.50 lower. There should still be some business to go yet this week but I'm afraid the tone has probably been set with lower trade in all feeding regions and the inability of the board to get anything going up to this point.

Product values continue to slide with both choice and select falling to some more notable losses Wednesday. It appears the demand side was not quite ready to support those lofty price levels from a few weeks ago, in both the beef and pork side of things. If we could ever get the outside market turmoil to settle down we may see some of the fears over lasting demand strength subside, but until then it may be a little difficult to push those highs from just a few short weeks ago on the cash, futures, and product sides of the livestock trade.

Cattle slaughter Wednesday 130,000 unch week ago unch year ago
Choice Cutouts: 167.91 -.97 Select Cutouts: 162.97 -1.32
CME Feeder Index: 111.93 -.12 Lean Hog Index 87.31 -.38
Pork carcass cutout value 87.21 -2.30
Hog slaughter Wednesday 400,000 +3k week ago -14k year ago

Calls this morning in the cattle complex are lower once again as it kind of feels like Groundhog Day with the equity markets struggling again, crude down, and the dollar a little stronger. There was maybe a little hope after yesterday's rebound off the lows, but it sure looks like we are ready to give a big chunk of that back at the open this morning. As long as the board doesn't somehow turn around to the upside, I would say the cash business is probably going to be topped out at the levels we have already seen traded this week. For the open this morning, I will call live cattle 40 to 60 lower and feeders maybe as much as 75 cents to a full dollar lower, as the electronic trade has been down well over a buck at times this morning.

Moving over to the grain markets, Wednesday was a fairly choppy session, although the price movements were never very large with the exception of the bean market, which did see double digit losses at times on the new crop November contract. Corn futures weakened up at times during the day but more China talk continues to help underpin that market a bit and we were just slightly lower at the close. Kansas City wheat futures were a couple cents higher, although there definitely was nothing major behind the slight gains.

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

Well the market was a little more subdued Wednesday, with China rumblings about the only news around the trade and the outside markets didn't seem to have much impact. The corn and bean market both had China rumors to deal with, with more Chinese corn purchases discussed as well as talk that China had switched several cargoes of beans from South American origin to the Pacific Northwest due to loading delays. That is likely what held up the front end of the bean market while the new crop November contract continues to struggle. Really all of these markets have pushed down close to some major support levels and without a large influx of additional negative news, we may find it difficult to break into new lows for the time being. Now that isn't saying it won't happen, as all it takes is a continued fallout in these outside markets and more money heading for the exits. Hopefully you have all been proactive in your risk management so far this year and aren't just sitting around assuming higher prices will return eventually. Nothing says they have to, and you need to be prepared to take advantage of any rallies that do develop. Now there is always the potential for a big weather scare or something along those lines, but you better not be using that as your main marketing strategy.

On to some other news, as we had weekly export sales data out this morning and the numbers were solid for corn and nothing to really get excited about for beans or wheat. Wheat sales came in at 9.2 million bushels old crop and 7.5 million new, taking the combined total into the top end of the range of guesses from 13 to 19 million. Corn sales were very strong, coming in at 53.3 million bushels, easily beating the guesses from 35 to 47 million. Included in that total was about 9.5 million bushels for China and another 6.5 million for unknown destinations, which could end up being China. In addition to adding some to our weekly export totals, this China business also has the side effect of possibly pushing our more traditional customers in that part of the world into buying more than normal, as the mere mention of the name China around their corn supply lines is probably enough to get them a little spooked. Soybean sales came in at 17.6 million bushels old crop and just over 3 million new, with the total making it into the lower end of the range of guesses from 19 to 24 million, so nothing major there. All in all, a good export total for corn and not much there in either direction for beans and wheat.

Well one more day of wet weather is in our forecast before things turn much more summer-like, with sunshine and near 90-degree weather headed our way over the next few days. That is exactly what is needed after heavy rains have saturated a good portion of Kansas as well as surrounding states. After a few weeks of active fieldwork in April, progress has definitely slowed. The grumbling has started but keep in mind, as of Monday, we were still well ahead of last year on planting progress. I know that doesn't make those of you who are struggling with weather feel any better, but that is what the trade will look at in the big picture. Most of wheat country caught a good drink or in some cases a real big drink, so the onset of some warmer and drier weather definitely won't hurt anything there. With 6-10 and 8-14 day maps showing above normal temperatures and normal to below normal precip., the weather picture should improve quite a bit and in turn so should crop conditions.

That is about it for news this morning, with export sales about the only fresh developments. The outside markets are doing their thing again this morning though, with crude oil and the equity markets struggling while the dollar is stronger. The grains staved off that pressure fairly well in the morning hours so maybe that will be the case during the day session as well. Export sales should help the corn market with that somewhat, so hopefully we can keep everything a safe distance above those key support levels. If we do breach those areas on the charts, all bets are off.
For the open this morning, I will call corn futures 1 to 3 lower, beans mixed to 4 lower, and Kansas City wheat 2 to 5 lower with the outside markets providing the negative influence.

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