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Morning Ag Markets

The cattle complex was able to stage a little recovery Wednesday, undoubtedly aided by the rebound seen in the equity and energy markets throughout the session. We did see the DOW sell-off after the cattle pits were closed yesterday afternoon, but that didn't seem to bother the electronic trade much as it stayed higher throughout the day. Other news was light and I really don't think there was anything behind the gains other than the short covering that developed when those outside markets finally took their foot off the throat of the cattle complex. Cash cattle trade was back at a standstill Wednesday after some fairly active business in Kansas Tuesday $3.50 to $4.50 lower at the $94 mark. Nebraska also traded cattle $2 to $3 lower live at the $93 to $94 mark on Tuesday. I suppose the little rebound on the board yesterday had feedlots thinking that maybe they could do better than the early week levels, but clearly packers aren't in a hurry to raise bids. With decent numbers bought in Kansas and Nebraska already this week I don't know how aggressive packers will get before the end of the week, as I doubt they push too hard. Cash is still more than $3 above futures as we get close to June, so I would think it will be pretty difficult to push the cash market higher without some sort of major recovery on the board. For now I think $94 probably catches any additional cash business this week in the South, barring some unforeseen big move on the board.

Cattle slaughter Wednesday 130,000 unch week ago -1k year ago
Choice Cutouts: 166.14 -.68 Select Cutouts: 159.35 -1.37
CME Feeder Index: 109.15 -.23 Lean Hog Index 84.83 -.77
Pork carcass cutout value 87.45 -.10
Hog slaughter Monday 395,000 -5k week ago -35k year ago

Calls this morning in the cattle complex are just mixed to a little bit better, although the electronic trade was very unimpressive overnight and into today given what the outside markets are doing. Crude oil has been up nearly $2 and DOW futures have been over 200 points higher, yet electronic live cattle futures have only been able to put together some small gains and feeders have actually traded mixed to mostly lower. I wouldn't take that as a great sign, as most thought a recovery in those outside markets should lead to a decent bounce in cattle futures. I suppose it could still develop today if those outsides hold it together, but for now it doesn't look very promising. For the open this morning, I will call live cattle 15 to 30 higher and feeders maybe mixed to 10 or 15 higher.

Moving over to the grain markets, we saw some moderate gains across the board Wednesday, as the outside markets finally took some of the pressure off and that uncovered some new buying in the grains that seemed to just be waiting on a cue from those outside influences. More China talk regarding additional corn imports as well as more bean purchases from the U.S. helped provide some support as well. Wheat was just tagging along, as there continues to be no story there.

Overnight electronic trade last night was higher with corn 1 to 1 ½ higher, beans 2 ¼ to 5 ¾ higher, and Kansas City wheat 3 ¼ to 3 ¾ higher.

Well the outside markets were finally a little more conducive to a rally Wednesday and corn and beans responded with some moderate gains, helped out by more China talk, mostly regarding additional corn imports. There were indications Wednesday that the Chinese government had authorized another 5 MMT of import quotas, good through 2011. There have been no additional confirmed sales, but it sure looks like that door could be open. There were also some estimates out from a Chinese analyst firm yesterday that had Chinese corn production much lower and usage much higher than the current USDA number, therefore making their corn stocks much tighter than the numbers most are currently using. It definitely looks like China will be the rallying cry for the corn market for the time being, at least until the bulls can find a weather argument.

In other news this morning, weekly export sales came in within the range of expectations for corn, beans, and wheat, with the corn number looking fairly strong again. Corn sales were 40.5 million bushels, about right in the middle of the guesses from 33 to 41 million. Bean sales were 6.4 million old crop and 4.4 million new, taking the combined total up to the lower end of the range of estimates from 11 to 28 million. China was in for some old crop beans as well as the entire new crop total, so they are still fairly active in our export market. However, keep in mind there have been no beans shipped to China for 5 weeks straight now, as there has been nothing on the weekly export inspections reports. Wheat sales were 5.5 million bushels for old crop and 12.4 million new, as we finish out the marketing year this week. Still nothing to get excited about there, with this week's wheat exports falling in the middle of the range of guesses from 9 to 24 million. It is still going to take major production problems around the globe for us to gain back a significant share of the wheat trade and so far that just doesn't appear to be happening.

The wheat market just appears to be pretty much stuck as we head into harvest, with the basis outlook more of a guessing game now than the futures trade. Harvest is underway in Texas and will be moving into Southern Oklahoma shortly, so new crop supplies are already moving into the pipeline. With the recent rains all but making much of the Kansas crop, the potential is there for some major storage issues at harvest. There just isn't anywhere to go with all the wheat as the terminal elevators have much less available space than last year as they still have much of last year's crop on hand. The high protein wheat will still demand a premium and be a lot easier to move to the mills, but the ordinary stuff is going to pose problems in some areas.

Other news is pretty light this morning so I would like to take a second and mention a wonderful upcoming opportunity for all of you to further your knowledge regarding the grain markets, their basic functions, and all the tools available to you as producers. Through a cooperative grant with the North Central Risk Management Education Center, we will be putting on a series of free grain marketing workshops this June. These are absolutely free to attend and will cover the basics of cash grain markets, futures and options, important terms regarding grain marketing, and most importantly how to choose the right tool at the time of sale. The dates are June 8th in Wichita, June 10th in Great Bend, June 14 in Concordia, and June 17th in Seneca. We do ask that you pre-register so we can have an idea for a meal count, so if you are interested just give me a call at 866-341-6700 or shoot me an e-mail at timstrunk@cox.net. We look forward to seeing many of you there and space will be somewhat limited, so please reserve your spot as soon as possible. Once again, these are free to attend and will be purely educational, as the goal is to improve the risk management skills of producers throughout the region.

Calls this morning are going to be on the stronger side thanks to the outside markets looking supportive with the dollar weaker, crude higher, and the equity markets looking much better after yesterday afternoon's sell-off. The grain market specific news won't really be the driver, as export sales weren't enough to move the markets and there isn't much else out there, other than more China rhetoric.

For the open, I will call corn futures 1 to 3 higher, beans 3 to 6 better, and Kansas City wheat 2 to 4 higher as it continues to play the follower.

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