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Morning Ag Markets

Pete Loewen

Big down day for the hog futures on Monday, but the cattle complex held it together really well in all contracts except the front month and soon to be expiring April live contract. That contract was down well over $1.00 through quite a bit of the session, but rallied late to finish just 75 cents lower. It looked to me like there was some very large unwinding of the April / June and April / August spreads. The April / June finished at $8.90 after being over $10 last week and earlier this morning it was another 50 cents closer.

Looking at both the bull and the bear side of the fed trade, bulls are looking towards a sharp surge in product values and finally a chance at the first full week after a major non-beef holiday and spring-time temperatures to hope for a nice surge in demand at the consumer level. A big downturn in kill levels should help further support product, but that same limited chain speed works in the packers favor from a cash leverage standpoint. Not only that, but there is also a huge incentive for feedlots to remain extremely current given the extra-strong positive basis and also the huge discount of June futures relative to the spot April. When the calendar turns to May, cash WILL be lower and most are anticipating that occurrence.

Cattle slg.___103,000 -12k wa -19k ya

Choice Cutout__229.06 +2.71

Select Cutout___218.07 +2.84

Feeder Index:___177.13 -1.44

Lean Index.__119.65 -1.21 Pork cutout___119.24 -1.92

IA-S.MN direct avg__115.73 +1.66

Hog slg.___ 273,000 -104k wa -136k ya

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Moving on to the grains, futures were under deep, deep pressure in wheat as well as actively lower in beans and corn was a distant follower with only mild losses. Some were attributing the weakness in wheat to weekend rainfall across HRW wheat areas, but when I looked at the cumulative precip maps, that theory held no credibility as the vast majority of producing areas received little to no beneficial totals. The forecast on the other hand looks really promising for rain chances over a large portion of that country though so quite possibly that could be where the pressure was originating.

Weekly export inspections were very positive for corn at 63 mln bushels. Soybeans were 5.1 mln bushels, which is light, yet still should be viewed as bullish given the fact we're still shipping beans. Wheat inspections were viewed as mildly negative with 18.2 mln in shipments posted.

Crop progress and condition data showed 6% of the nation's corn planted, which is double the amount from the previous week. The average for the same timeframe is 14%, but last year we were only at 4% done and the slowest on this date was 1993 at only 3% done. To be honest, I think the trade was looking for more progress than the 6%, but in my opinion it is too early to really matter in the first place. Regardless, it should be viewed as supporting to corn.

9% of the winter wheat was headed, compared to just 7% last year, but 17% on average. Oklahoma was 10% compared to 38% normally which gives you an idea of the lateness of this crop. Of course there is both good and bad that comes from the lateness. On one hand, the crop has been much less vulnerable to spring freeze events, but the flipside of the lateness makes the crop more vulnerable to be filling in much warmer than ideal temperatures in late spring and early summer.

Wheat crop condition ratings had g/ex numbers adding one to excellent and taking one away from good to keep the number the same as the previous week at 34%. P/vp categories gained 1 point to 33%, meaning we lost one out of fair.

The normal g/ex rating is 50%. Spring wheat seeding is 10% complete versus 19% on average and 7% a year ago.

The chatter continues about soybean cancellations and Chinese defaulting on shipments, yet the US continues to post positive weekly commitments and shipment totals. Offsetting the much stronger than expected export pace is the growing rumors of more South American bean and meal shipments destined for US ports. Yesterday's talk was of 2-3 cargoes of Brazil beans and a couple cargoes of Argentine meal en route. To me, that still isn't bearish. In reality we desperately need imports to offset the otherwise strong possibility of soybean ending stocks getting much weaker than the current 135 number being carried.

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