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Morning Ag Markets

Pete Loewen

Really flat trade in the live cattle yesterday, solid, but mild green in feeders and heavily mixed in hogs was the tone of the market. Looking at the cash trends across the meats, hogs have been choppy, but mostly lower this month, steady for fats in feedlot trade for the most part and strong still from the feeder market on down the chain to cows and calves. Pork product has been steady with yesterday afternoon's quote just $.04 cents higher than the quote on the first day of May. Beef product has been the sick puppy of the bunch, dropping 7 out of the 8 business days this month and over $7.00 lower at the weakest point, which was Friday.

Given the fact we have both Mother's Day and Memorial day in the month of May as well as the legitimate start of the spring grilling season, it isn't boding well for packer margins that they are having to discount product moving out the door while paying steady money still for cattle coming in the front door. May was supposed to be the transition from smaller year over year supplies to larger, yet packers continue to watch their margins fade while paying steady money for cattle. There is also still a heavy discount of futures relative to cash that isn't coming together yet despite the fact we're midway through the month already and headed into deliveries in early June. The moral to this story is that the packer doesn't have the leverage still despite a lot of the perceived fundamentals pointing towards them being favored. Score one big one for the cattle feeder yet again.

Cattle slg.___116,000 -4k wa -7k ya

Choice Cutout__223.56 +.56

Select Cutout___212.64 +.43

Feeder Index:___183.78 +1.06

Lean Index.__113.96 -.34

Pork cutout___113.85 +.08

IA-S.MN direct avg__108.35 +.08

Hog slg.___393,000 +7k wa -6k ya

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Moving on to the grains, the futures trade kick started the week by sinking under mild to moderate and borderline active pressure at times. The stories floating around the newswires were all over the board on reasoning for the break. The reasoning ranged from rain makes grain mentality that provided the pressure on wheat, to rain delays corn planting, which leads to more bean acres that provided pressure in beans, or big planting progress expectations makes corn go down. Seriously, all those were quoted yesterday and I'm not sure if any one of them could be listed as the catalyst for the broad-based drop.

Another factor that I think may just be sinking in to many trader's minds is the fact world stocks in Friday's WASD report took BIG jumps in corn and beans in the 14/15 projections and wheat remained large still. Corn stocks are projected over 13 mmt's over this year with an 18.8% stocks/use ratio. Beans jumped 15.25 mmt's in the next marketing year projection and up to a 29.3% stocks/use ratio. Wheat rose less than 1 mmt's, yet still sits at a very comfortable 26.9% stocks to use level.

When viewing all three of those crops looking at the new crop projections versus prior years, we have had very comfortable soybean and wheat supplies at the world level for several years, but corn looks to be moving from relatively tight on the world balance sheets, to much more comfortable. Domestically, we've had plenty of wheat on the US balance sheets until last year and this year. We have been critically tight in beans for a long time and very tight in corn until last fall's harvest. These early projections for new crop stocks to jump up to 1.726 bln in corn and 330 mln in beans are bearish IF they become reality. The fact of the matter is, we have an entire growing season ahead of us that will likely change those numbers considerably in one direction of the other, meaning lower OR higher and it would be a fool's guess at this moment to predict which direction it will be.

Crop progress and condition numbers yesterday showed 59% of the nation's crop planted compared to 58% on average for this time of year. Illinois was 78% done compared to 53% on average. Iowa was 70% complete which matches their average. Minnesota was only 31% done compared to 62% normally and Nebraska was 77% compared to 71% normally. Those are the top four corn producing states.

Soybean seedings were 20% done compared to 21% normally and that number jumped 15% last week. Of course in most areas now in the Corn Belt, the progress has come to a screeching halt with the weekend's soaking rains and now cooler temperatures grinding progress back.

Wheat conditions took another expected turn for the worse with winter wheat conditions dropping 1 point out of g/ex to 30%. Fair dropped 3 points, which added 4 points to p/vp condition ratings and 3 of those were an increase in the vp number! 56% of the Kansas crop is p/vp, 38% in Colorado, 21% in Nebraska, 68% in Texas and a whopping 75% of the Oklahoma crop is p/vp. Weekend rains helped stop that slide in some areas, but in my opinion probably not enough to warrant an improvement in conditions next week by much, if any.

Overnight export news showed 120k tonnes of old crop corn sold to South Korea.

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