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Morning Ag Markets

Pete Loewen

Heading into a long three day weekend for Memorial Day the grain trade was oddly very quiet, but livestock action was actively lower, highlighted by steep losses in the feeder cattle pit. The front three months were $2+ lower and live cattle and lean hog futures both had losses in the triple digits, just not as nasty as the feeders.

As a counter to the dip in feeders, cash trade from fly-weight calves up through heavier feeders continued red hot with week to week gains in the $5-$10 range not uncommon. $1.00 lower cash feedlot trade dampened spirits some, plus there are likely quite a few weeks of lower action coming at the feedlot gate as well as available offerings rise compared to last year as we move into June. With current available feedlot capacity grossly larger than the available supply, buyers are still stricken with irrational exuberance in what they are paying for replacements. 700-750 lb steers and heifers placed on feed last week had a first cost loss ranging from $176 to $287 per head. That's a huge dose of betting on the come with giant gains in futures and cash on the deferred fats needed to make any money on those cattle. Not very bright in my opinion… This is still firmly a seller's market, not a buyer's market!

Cattle slg.___112,000 fri wtd 599,000 +8k wa -54k ya

Choice Cutout__231.98 +.19

Select Cutout___220.90 -.26

Feeder Index:___189.35 +.86

Lean Index.__111.55 -.17

Pork cutout___115.06 +1.28

IA-S.MN direct avg__107.60 -.77

Hog slg.___ 394,000 fri   wtd 1.973 mln   -26k wa -99k ya

Most of the opening calls I'm seeing this morning are in the vicinity of 15-30 higher across the board in the beef and pork market. Given the pressure in grains this morning though, I think feeders might have a shot at 30-50 better.

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Moving on to the grains, it was a huge up week for the soybeans with the front month futures breaching $15, but a horrible week for corn and wheat as both of those markets sunk under pressure.

Domestic bean supplies are tight and export shipments as well as weekly sales were bullish to beans.

The bulk of the selloff in corn and wheat can be attributed to two factors; one being active speculative and managed money liquidation, and the second being a reaction to the moisture relief in Plains wheat country finally, along with ideal temperatures for optimal corn growing conditions in the Corn Belt. The corn price movement, I can understand. The wheat, I'm not in agreement with considering how much production had been lost already ahead of these rains.

The return to trade last night after the long weekend had pressure on grains as weather conditions and forecasts remained very favorable.   Hot topics rolling into this week is talk concerning the amount of acreage shift potential from corn to soybeans in some of the northern tier states that had been too wet and cold early to get corn in the ground. As much as 2 mln acres of switch are being thrown around as an average guess. I'll argue though that the March intentions were low in corn by around 2 mln, so in the end I don't expect too much change when the June final plantings come out compared to the March intentions. Maybe a higher bean number now though, but not less corn.

In wheat, the SRW wheat crop is in great shape, but the market is obviously going to have to hear and see the reports off the combine for HRW wheat and I don't think there will be much if any bearish news when those reports start to roll in this month.

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