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## **Morning Ag Markets**

### Pete Loewen

It was a sour day for hog futures on Wednesday, but a huge day for the cattle complex as feeders blew up into new contract highs, live cattle forged new all-time highs as well and the extreme acceleration of the bull market continued. After the pit trade closed and settlements were posted, the rally actually pushed up even harder in the electronic trading into the late afternoon and continued that run into this morning as well. I would assume feedlot cash and feeder cattle and calf market cash will continue to respond bullishly as well.

The vast majority of the phone calls we field relating to cattle include a significant amount of disbelief in current prices, a strong fear regarding when the rally might stop and all of those negative emotions mixed in with huge JOY regarding what cattle are bringing. Granted, that's the conversation with those that own cattle...

The conversation with the people that are in the market to buy more cattle is a whole lot different! They want to know precisely when the top is going to be and where that top is going to be as well. Unfortunately though, when price is sitting at the highest levels ever traded in history in both the futures market and in the cash, there isn't any technical level, or even a fundamental aspect to use to attempt to predict that top. People need to get firmly planted into their minds that it is entirely useless to even try and predict it.

One key factor for buyers to keep in mind is that time might be the enemy for the cattle market. "Time" meaning this rally isn't going to go on forever and the last thing you want to be is the person that bought calves or feeders at the high with no protection and ride the freefall down when it finally hits. The second factor and one that is even more important is to evaluate deferred feeder or live

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market prices, along with input costs and DON'T BUY CATTLE THAT WON'T PENCIL A PROFIT THE MOMENT YOU PURCHASE THEM!

Record high prices are not the time to fill the pens or pastures again with unprotected cattle thinking it will go up forever. If you are still bullish, use Put options as your protection and hope the market continues to rally and they expire worthless later. If you have a comfortable and acceptable enough profit margin to be happy, just use futures or cash contracting instead of the options. If you use the cash, you don't have the basis risk anymore either, although that is replaced with counterparty risk to some extent.

The perfect strategy in livestock marketing and ownership is to be able to lock in profitable levels on the cattle and on the feed inputs. Nobody ever went broke locking in a profit unless health, weather or basis were their nemesis. I have known quite a few that have went broke trying to predict the market direction and fly by the seat of their pants with no risk management though and that is the exact reason we try to steer people clear of that mentality and strategy.

Cattle slg.\_\_\_\_116,000 unch wa -7k ya

Choice Cutout\_\_\_\_244.52 +.56

Select Cutout\_\_\_\_238.20 -.17

Feeder Index:\_\_\_\_207.93 +.30

Lean Index.\_\_\_\_123.12 +1.44

Pork cutout\_\_\_\_133.67 +2.14

IA-S.MN direct avg\_\_\_\_126.08 -.48

Hog slg.\_\_\_\_ 395,000 +25k wa -15k ya

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Moving on to the grains, corn futures remained under pressure, while soybeans and wheat managed a mildly higher close. Fresh news was scarce, but the estimates and chatter regarding Monday's upcoming quarterly stocks and final planted acreage numbers were starting to buzz around the newswires.

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Actually, there is a lot of data coming at the market over the next week. Canada releases their planting estimates this Friday. Next Monday we get US quarterly stocks numbers as well as the June final acreage figures for spring wheat and the fall crops.

I'm not going to cover the stocks guesses, but planted acreage numbers seem to be a little hotter topic so we'll cover those. The average corn acreage guess is 91.7 mln with a range from 91-92.5 in the guesses. The March prospective planted number was 91.69, so the average this time is for slightly larger. Soybean guesses ranged from 81.3 to 84 mln with the average at 82.2. The March number in beans was 81.5, so a bigger number is anticipated in the beans as well. Spring wheat estimates averaged 11.94 mln compared to 12 mln even in March, so lower is the guess on that crop.

Export sales numbers that came out this morning were ultra bullish to beans and mildly friendly to corn and wheat. All wheat sales came in at 13.2 mln bushels, corn sales at 12.7 mln old crop and 9.1 new crop. Soybean sales for old crop were a positive 11.7 mln, along with 16.8 new crop. With only 77.5 mln bushels yet unshipped, basically the sales total comes within about 25 mln from the total prediction for what USDA has projected for the entire marketing year already, meaning cancellations don't change things much at this point. The export number will go up on the July report in my opinion.

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