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Morning Ag Markets

Pete Loewen

Interesting day of trade in the meats yesterday as the cattle complex enjoyed strong early session action, but faded some into the closing bell. Of course, new contract highs were scored again before the selling began and the bullish trend is still very much intact on the charts. It was odd though seeing feeders in particular very strong early and moving lower in the face of a corn market that was getting hammered along with the rest of the grains all day to the downside. Generally that is very bullish feeders.

The big question to be answered this week is whether the negotiated cash feedlot trade in the big 3 states can hit the $160 mark. I'm guessing we won't find out until later in the week as packers contemplate their battle plans to break the feedlot resolve and leverage. Showlists are up this week in Texas and Nebraska and mildly lower in Kansas. Despite the fact the air gets thinner with each step higher in this climb, the pace has accelerated considerably over the last two weeks. It only takes $2 more to hit it in the Southern Plains trade and the previous two weeks were $4 at a time, so it is very conceivable that $160 is in the cards.

Cattle slg.___112,000 -5k wa -9k ya wtd last week was 491,000 -124k wa, -66k ya

Choice Cutout__248.18 +.06

Select Cutout___241.23 +.11

Feeder Index:___214.58 -.90

Lean Index.__129.25 +.59

Pork cutout___134.52 +.32

IA-S.MN direct avg__130.81 +3.31

Hog slg.___ 387,000 -14k wa   -20k ya   wtd last week 1.627 mln, -283k wa, -157k ya
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Moving on to the grains, it was a very disappointing start coming off of a historically very pivotal holiday weekend as futures were hammered on hard from start to finish. The key item of the day was watching to see whether new crop corn could post a "3" handle on price and thankfully that didn't happen. Unfortunately, it did happen to the September contract.

July 4th is often times a very important swing point for grain market action. For starters, it signals the beginning of the dog days of summer and the start of the hot months of July and August, as well as a key tasseling and pollination period for the corn crop over the big producing areas of the Corn Belt. Futures-wise, it is also a time historically when there is either an abrupt change of direction in price, or an acceleration of the current trend. The farmer was definitely hoping for a change in the bearish trend to bullish, but based solely on the price action yesterday, it was unfortunately the opposite.

News-wise during the session, there really wasn't a lot of fresh BIG influx of bearishness to support such strong selling other than thoughts crop conditions were still very good across most of the US. Export inspections were mildly bearish with 2.2 mln soybean inspections and 42.5 mln in corn. Both of those numbers were slightly lower than needed to keep the current pace for projections.

Crop condition numbers that came out well after the market close did have a bearish undertone. Corn ratings in the overall g/ex category remained unchanged at 75%. P/vp was 5%. There was a switch between good and excellent though with excellent gaining 1 and good losing 1. Soybean conditions were pegged at exactly the same as the previous week with 72% rated g/ex and 5% p/vp. Wheat conditions lost a point in fair and moved it into good, moving g/ex ratings for winter wheat up to 31%.

Weather-wise, the 6-10's showed normal to below temps and normal to above precip for the big corn and bean areas. In my opinion, as long as we're not seeing those "hot" and "dry" statements, the weather still has more bearish potential for influence than bullish. I know it is too wet in some northern areas, as well as too cool, but looking at it from an entire US standpoint once again, cool and wet in July is still bearish.

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