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Morning Ag Markets

Pete Loewen

It was a decent start for the week in the cattle complex with live and feeder cattle trading in the green early, but the strength didn't last long. Live futures sunk in the triple digits on the spot August futures. Feeders finished the session mixed with August higher and the next four contract months lower. Hogs closed moderate to strongly higher across the board.

The major developments in the live and feeder cattle futures versus cash markets are the fact cash prices have been very resistant to the strong futures selling pressure over the last week. The spot August live market settled $8.20 under last week's cash peak of $156. Spot August feeders closed $6.95 under the CME Feeder Index that actually took a $3+ jump in yesterday afternoon's quote.

At this point in time I can't help but think we'll see futures become a little more reluctant to post sharp drops on the front end contracts at least unless and until cash markets begin to respond more negatively as well. Cash feedlot trade dropped $2.00 last week, but the feeder index has been up 3 out of the last 4 quotes and the Friday to Friday comparison was +$3.04 on the index. $3.04 better is a lot different than $7.25 lower, which is what the weekly close was on the August feeder contract.

The live cattle comparison was $5.87 lower for the week in August futures compared to that $2.00 lower cash. That's a little more realistic than the divergence in feeder cattle futures compared to the index, but they are both out of line enough that I think futures will be reluctant to fall a lot more without cash following, OR futures are going to have to come up.

Cattle slg.___112,000 unch wa -6k ya

Choice Cutout__251.14 -.65

Select Cutout___244.42 -.42

Feeder Index:___217.62 +3.04

Lean Index.__132.78 +.40

Pork cutout___134.85 -.48

IA-S.MN direct avg__133.02 +1.83

Hog slg.___ 368,000 -19k wa -31k ya

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Moving on to the grains, the hangover from the sharp drop after the report didn't last through the weekend thankfully and futures were solid to the upside across all the grain and oilseed markets. Granted, I don't think they were up enough unfortunately to call it a trend changer, but it was nice seeing green on the screen instead of red nonetheless.

Key points in the news yesterday were export shipments released midmorning and crop condition report numbers that came out after the close. The export shipments as a whole were off about 10 mln bushels from the previous week. Corn shipments were 36.5 mln bushels, 13.9 mln for wheat and 4.2 mln for beans. That soybean number was up slightly from the previous week, but corn was down 13 mln and wheat 3.5 lower.

Crop condition numbers hosted kind of a bearish surprise. Earlier this spring when the first corn ratings came out the consensus was that after such a good start there really was only one way to go for ratings- and that was lower. Well…, they haven't been going lower, they have been going up!   Corn conditions gained one point in excellent yesterday, taking the g/ex number up to 76%. P/vp remained at 5%. Soybean ratings remained unchanged overall in g/ex at 72%, but good gave a point up to excellent, which is an improvement overall.   P/vp also gained a point though up to 6% with fair losing 1.

The 40 and 50 degree lows last night and cool temps this week are no doubt a burden to the northern Corn Belt corn crop as they struggle to gain heat units, but the central and southern Corn Belt is gaining in leaps and bounds from this weather. Corn silking numbers were 62% in Illinois, 26% in Iowa, 33% in Nebraska and 56% in Kansas. Obviously states farther south are even farther along and corn silking and pollinating in abnormally cool weather is tremendously better than corn pollinating in normal hot July weather. I don't see this cold as a negative at all. Unfortunately, these events that are good for potential increased production are usually not good for price and that's exactly what we're seeing today in futures.

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