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Morning Ag Markets

Pete Loewen

It was just another normal day for the meat complex with trade solidly following the recent trend of sharply lower in hogs and actively higher in the cattle. Cash indicators are heading in those same directions as well. Pork product, the lean index and cash trade was all lower. Feeder index quotes as well as choice and select cutouts were quite a bit higher.

What we don't have a handle on this week is cash feedlot trade. There was a \$10 jump in some areas last week compared to the previous and that really lit the bullish flames. Thoughts this week interestingly enough range from steady to some thinking we'll be several dollars higher again. When the reported prices from a week ago ranged from packers saying "we want them tomorrow", to "we want them in two weeks" though, it is hard to outguess the next crazy move in cash. My guess is that if sellers dig their heels in this week it can go higher again. If it does, expect a BIG response in futures given the deep discount still of the spot August live compared to even last week's cash. Delivery potential begins on that contract Monday, but don't expect any action with the premium cash market.

Cattle slg. ___ 113,000 -1k wa -10k ya

Choice Cutout ___ 262.86 +1.52 Select Cutout ___ 260.83 +1.80

Feeder Index: ___ 224.95 +.76 Lean Index. ___ 127.91 -1.00

Pork cutout ___ 130.23 -.90

IA-S.MN direct avg ___ 121.12 -.92 Hog slg. ___ 406,000 +11k wa -4k ya

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Moving on to the grains, the soybean market sunk on active selling yesterday and this time it hit all the deferred contracts harder than it hit the spot August. Old crop bean basis and supply are really on edge in areas where supplies are running thin and the combination of strong daily and weekly sales being the counterbalance to some really large new crop production expectations has added a lot of volatility to price lately. Corn and wheat markets were able to ward off any spillover pressure and closed higher, albeit just mildly.

Weekly export sales numbers were fantastic again for soybeans with a 6.9 mln bushel old crop total, bringing ytd commitments up to 1.691 bln. With USDA's projection for the marketing year that ends on the last day of August being 1.620, the cancellations are going to have to start popping up front and center if they want to avoid raising that projection. New crop sales were equally impressive with 46.6 mln bushels reported. That brings the new crop commitments total up to 588 mln, or over 35% of next year's total projection committed already! Of course the fly in the ointment for this message being ultra-bullish beans is the record 84.8 mln planted acres of soybeans in the US this year that is in very good shape according to the crop condition reports. It's not too long before those supplies become available.

Corn sales this morning were 6.8 mln old and 43 mln new. The new crop total was friendly, but old crop was a little bearish. Wheat sales were 29.4 mln, which is a good number compared to recent weeks, but still only viewed as neutral to the trade.

End of the month trade today could have these markets all a little edgy. The weather picture on the 6-10's last night was still cool everywhere and generally dry in the far north and normal to above on precip everywhere else. For the sake of some areas on the western Corn Belt that are getting really dry, I hope that above normal precip becomes reality sooner than later.

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