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Morning Ag Markets

Pete Loewen

Big bounce yesterday across the meat complex with live and feeder cattle leading the way. It was a classic reaction of fade the report from the Cattle On Feed data from Friday that had a lot of bearish undertone to the numbers. On feed numbers were .6% above the average trade guess. Placements in July were 2.1% higher than the guess. Marketings were 1.3% lower. With every category coming in with a bearish bias, where did the market go--UP. Now granted, in the big picture an On Feed total that is 1.9% lower than a year ago and placements that are 7.4% lower aren't bearish numbers. In the report world though, it is generally the actual numbers versus the estimates that get the knee jerk reaction, not the big picture. I guess that is why often times it is called the Cattle on Fade report for a reason.

Looking past the short term non-impact of On Feed numbers, the hog market is still firmly entrenched in a freefall in product and cash market trade. Ia- S. Mn cash has been quoted lower every single day this month. Pork cutouts have been lower 10 out of the last 11 sessions. Plus, the charts look like prices stepped off a cliff back in early July at the highs. Unfortunately, the longer the hog market keeps up this bearish trend, the more potential influence it is going to have on cattle futures and cash prices. When both complexes were headed sharply higher, it was easy for them to feed off each other because the competing meat aspect of demand was feeding off one another. I can't help but think hogs will continue to exert a negative force on the cattle market unless hogs can miraculously find some supporting factor very soon.

Cattle slg.___116,000 +8k wa unch ya

Choice Cutout__249.69 -.08

Select Cutout___239.07 -.59

Feeder Index:___217.64 -.54

Lean Index.__103.32 -1.31

Pork cutout___102.68   -.92

IA-S.MN direct avg__94.17 -1.13

Hog slg.___414,000 +12k wa   -12k ya

Moving on to the grains, red ink filled the screen yesterday. KC wheat fell to double digit losses on the front three contract months, corn managed to squeak out just a mildly lower close and beans were in the 10+ lower range on the front months, but 40 lower on the spot September.

I find a lot of irony in the weakness on that September soybean contract as cash bids in the country for old crop and early new crop have been red hot over the last couple of weeks. Quite frankly, I doubt the drop had anything to do with fundamentals and was more of either a money play on the speculative side, or unwinding of old crop / new crop spreads. On the cash side of things, I think commercials and users around the country are bidding almost exclusively off the November contract instead of Sept, so the volatility on the front is either delivery related by the large commercial players, or irrelevant from the speculative side. Gulf basis did start to slip a little yesterday, but I'm not going to try to make fundamental sense of the spreads anymore with harvest cranking up in the south.

Crop progress and condition numbers showed corn improving by 1 point yesterday moving up to 73% in the g/ex category. Soybeans dropped 1 point to 70% g/ex. Still outstanding numbers given the fact the calendar is about to turn to September and soybean conditions haven't slipped much at all this month. Yield reports on early beans in the south have been outstanding in states like Louisiana and Mississippi with 80+ numbers not uncommon in beans and some 200's in corn. Usually when we start to see beans turning in the south and corn maturing and plants turning the condition ratings will reflect more notable drops this time of year. The fact that hasn't happened confirms the potential big size of production in both of these crops.

6-10's last night went hot everywhere except the far north that was posted at normal. Precip was above normal through the Corn Belt and below in the High Plains and Southwest.

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