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Morning Ag Markets

Pete Loewen

A Super strong rally in the cattle complex on Wednesday and a huge fallout in the grains capped off a day major confusion and digging for reasoning on all fronts as to why the moves were so large. On the cattle side, some of the strength was coming from packers showing a lot of early interest in cash yesterday with some of the far northern trade higher than last week again. The noon boxed beef trade was also showing some much needed and long awaited strength. Speculative trade had a lot of unwinding of bear spreads that pushed the October live contract locked limit up while the deferreds trailed quite a bit farther back. That also spurred some renewed interest in buying from the spec trade that helped futures in all contracts between the fats and feeders.

With the jump yesterday, in one giant swoop the huge inverse we have seen in positive basis on the live side since all the way back to January and February was taken out of the market! Last week's $155-$156 Southern Plains trade would have been right at par with yesterday's futures close. Then the hard strength futures added overnight again last night added another $2.50-$3 in futures premium over last week's cash already. Unless packers are willing to pay $3 or more higher than a week ago for cash in this go-round, the major basis shift that has been long anticipated has finally showed up. Unfortunately, for any cattle feeders carrying hedges, that's NOT a good thing for those positions.

Cattle slg.___118,000 +4k wa -9k ya

Choice Cutout__247.58 +1.47

Select Cutout___233.94 +.11

Feeder Index:___221.35 +.28

Lean Index.__95.67 -.78   Pork cutout___101.59 -.85

IA-S.MN direct avg__94.18 +.87

Hog slg.___ 416,000 +5k wa   -17k ya

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The grain side of the ag trade yesterday was a little easier to decipher than the livestock given the fact crop conditions improved in both corn and soybeans in Tuesday night's report, plus the yield reports coming out of the delta and southern corn and soybean areas continue to absolutely astonish the market.

Normally as crops mature, condition ratings begin to slide as the physical appearance deteriorates with the plant turning from lush green to brown. However, with conditions getting better right now instead of worse, PLUS some new contract lows and accelerated selling into new lows, that was all too much bearish power for the market to handle. As a result, all the grains were double digits lower.

Export sales were delayed until Friday this week due to Monday's holiday. There was some daily business reported with 120k tonnes of corn reported sold to unknown destination.

Weather forecasts have a strong variance between different models with short run forecast on one model bringing a significant brief cold shot into the Northern Corn Belt early next week with frost/freeze potential and then backing out and warming back up. Other models show it much milder with little to no freeze potential, so that is something the trade is watching actively.

Harvest news coming out of southern Corn Belt and farther south continue to see some phenomenal yields being posted in both corn and soybeans. A lot of people thought there wouldn't be a push to pull corn out wet and face drying charges when prices were so low, but the early harvest premiums compared to later new crop bids are providing a lot of incentive to get it out and get it priced on that hot early basis. That's all going to go away very quickly though as estimates for this year's crop continue to grow and price continues to fall. When price AND basis are falling in a couple of weeks it isn't going to be good for the farmer. Unfortunately, I don't see anything to prop prices up in the short term either, unless this cold weather in the north becomes reality, trimming their crop size.

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