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Morning Ag Markets

Pete Loewen

It was a big day of solid red ink across the meat complex without a lot of fundamental news flow there either, so I'm going to attribute the red ink across the board to money flow more than anything else. Cattle market live supply fundamentals are still friendly and product trade has been very well supported, albeit a little more choppy on the cutouts than previous weeks.

Feeder cattle and calf market trade has become a very mixed affair. Steep discounts are prevalent in some areas on freshly weaned calves, compared to active demand and a lot better pricing on light weights that are already straightened out from having been separated from their momma cows for awhile. Wheat pasture demand in the south is strong and we have yet to see a big rush up north for Corn Belt farmer/feeders wanting to walk some corn off the farm. When harvest is wrapped up and the combines put away I would expect a strong push in the western Belt for mid to heavy weight feeders and a strong shelf of support under the market as a result.

There is a growing bearish contention amongst live and feeder futures analysts with more of a balance now between the bulls and the bears compared to nearly all bulls previously. Looking at it from a competing meats perspective with pork product under so much pressure it makes sense to be more pessimistic on the beef. From a feeder and calf market standpoint though, I don't see buyers willing to back off much until wheat and rye pasture is full and the Corn Belt cattle feeders are satisfied.

Cattle slg.___107,000 +5k wa -14k ya

Choice Cutout__251.24 +1.10

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Select Cutout___238.12 -.37

Feeder Index:___239.99 -.18

Lean Index.__88.72 -.56

Pork cutout___95.89 +.22

IA-S.MN direct avg__85.71 +.08

Hog slg.___428,000 +3k wa   -5k ya

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Moving on to the grains, the futures trade started in solid red ink just like the livestock with grains and oilseeds opening quite a bit lower, but corn and soybeans found midday buying that pushed prices back into the green and actually a double digit gain on the front end November beans at the finish. Considering they were 10-15 lower at one point earlier in the session, that was a remarkable feat, AND it happened with no major influx of fresh fundamental news to drive it. In fact, the bulk of the news flow during the day was siding with the bears still, especially in wheat with Egypt buying a large tender yesterday and none of it coming from US origin. Granted, the soybean market still has a mild amount of friendliness based on US crushers still struggling to supply the pipeline, but with a really large bean crop projection and a monster carryout projected as well, that problem is only temporary.

Weekly export sales released this morning were bearish corn and wheat and bullish beans. The corn sales total was a measly 18.8 mln bushels.   Soybean sales were 59.2 mln, along with 100,000 of next year's new crop. Wheat sales were 9.8 mln which is terrible. The biggest thing to point out in wheat was the fact HRW wheat sales activity was the second lowest of the 5 classes at only 400,000 bushels. Durum was the lowest at zero, but the rest were 1 mln or more. Normally HRW is leading the pack, but maybe that push is wearing off a little.

Monday morning is the next crop production report and there are increases expected in both corn and soybean production numbers. The average guess for corn production is 14.551 bln which is up 76 mln from last month with a 175.2 average yield guess.   Corn ending stocks are pegged at 2.135 bln.   Soybean

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production is expected at 3.967 bln, up 40 mln from October with a yield of 47.6. Ending stocks in beans are actually expected to decline slightly from the last forecast with an average guess of 442 mln. Wheat stocks are pegged at 660 mln compared to 654 in October.

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