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Morning Ag Markets

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Livestock trade was very flat in live cattle and lean hogs and actively lower on part of the feeder contracts, but not all. It was really kind of an odd session for feeders with the front month January as well as the August and September contracts were down in the triple digits, but the rest varied from unchanged to only 35 cents lower. On days like that you chalk the market moves up to spreading and money flow from the spec and fund trade. There was the same kind of varied price movement in the live cattle and hogs, just not with as wide of swings as the feeders.

Choice / select beef product prices narrowed by 83 cents with choice lower and select higher. The majority of the product quotes through December now have been lower, along with cash feedlot trade being very actively lower. The odds are high that negotiated cash feedlot trade will be lower again this week and with last week's cash being more than $5 over spot December futures yet, the supported attitude I had towards cattle just a few short weeks ago is slipping rapidly, right along with futures, cash and cutouts. The only positive I can note for cattle is that the technical aspect of the futures charts are getting extremely oversold and ripe for a bounce. Live cattle charts still look sickly and the feeders very much still rangebound, albeit closer to the bottom of the 2 ½ month range, not the top.

Cattle slg.___112,000 +6k wa -10k ya

Choice Cutout__249.95 -.56

Select Cutout___236.37 +.27

Feeder Index:___240.90 -1.81

Lean Index.__88.51 +.16

Pork cutout___92.29 -1.16

IA-S.MN direct avg__84.59 -.28

Hog slg.___429,000 +1k wa   -2k ya

Moving on to the grains, it was a classic case of buy the rumor and sell the fact on report day for the soybean market in particular.   Of course, there were no production changes made, as those come in the January with the final numbers are released, but the demand side of the balance sheets got some updates, as well as the potential for import side changes in supply. For corn and soybeans, the numbers were friendly.

Bean ending stocks were 410 mln versus 450 in November and 431 as the average trade guess. Corn ending stocks dropped slightly below 2 bln to 1.998. The average trade guess was looking for a 10 mln bushel increase since November and instead got a 10 mln bushel decrease. Wheat had a neutral to bearish domestic number at 654 mln bushels of ending stocks. The November number was 644 and the average pre-report guess was 651. Grains were lower when the report came out and stayed there afterwards as well.

Soybeans caught the most pressure, pushing 16-17 cent losses across the front 5 futures months. It also didn't help that Brazil's Ag ministry came out with a 95.8 mmt bean production guess. In November they were at 89.3-91.7, so obviously some bearish fuel in that data. In the WASD report, Brazil beans were still pegged at 94 mmt's, so perhaps the USDA is still a little low on South American bean guesses??   One other very important note regarding the numbers yesterday is that world corn and wheat ending stocks both got larger relative to the November numbers. World corn ending stocks are now estimated at 19.2 mmt's larger than a year ago, world bean stocks at 23 mmts larger than last year and world wheat at 9.2 mmt's larger. The really ugly numbers were the world stocks to use numbers with corn at 19.8% versus 18.1% a year ago, beans at 31.4% versus 24.4% last year and wheat at 27.4% versus 26.3% last year. You have heard us say it before, "the world has NO shortage of any of these three crops".

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