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Morning Ag Markets

Matt Hines

Starting off here, markets were closed on Monday for President's day so let's take a look at last week's markets and what to look for here this week.

Another higher day last Friday in the cattle pits helped hold strong gains for the week. There was an isolated case of BSE reported in Alberta, Canada Friday morning, but the markets paid no attention with stronger cash prices paid. Barns were steady to higher most of last week which carried over to the CME feeder index that picked up over $2.00 throughout the week. Cash feedlot trade was very light last week with limited trade reported in Texas and the market was really not even tested. Kansas reported light sales at $162 live, $2 higher than the previous week. Nebraska and Iowa also with light trade as well at $162 to $163.50 live, $1 to $2 higher and $256 to $258 on a dressed basis which is $1 to $3 higher than the week previous. Hogs continue on a steep decline in price and cheaper hogs and products do not bode well for the hog or cattle producer moving forward.

For the week, February Live Cattle +$3.92, March Feeders +$4.40, February Lean Hogs -$1.80.

Cattle Slaughter from Friday estimated at 105,000 head, down 5,000 from a week ago and down 6,000 from a year ago. For the week, 537,000 head down 10,000 from week ago and down 3,000 from a year ago. Monday estimated at 99,000 head, down 11,000 from last week but up 12,000 from last year.

Boxed beef values lower on Friday and mixed for the week with Lent starting this week and Easter early this year pressuring volume already.
Choice -1.42 @ 237.68
Select -1.24 @ 233.95

Monday boxed beef was mixed with Choice +.54 @ 238.22 and Select -.91 @ 233.04.
CME Feeder Index last updated 2/12 +.25 @ 211.18

Hog Slaughter from Friday estimated at 425,000 head, up 2,000 from a week ago and up 3,000 from a year ago. For the week, 2,126,000 head up 21,000 from a week ago and up 136,000 from a year ago. Year to date now at 14,170,000 and up .3% compared to year ago. Monday estimated at 422,000 head up 15,000 from last week and up 11,000 from last year.

CME Lean Hog index is down $4.68 this past week now at 61.97 down $1.04 from 2/12.
Pork Carcass Cutout +.25 @ 72.38
Iowa/S. Minn Direct Avg Cash -.71 @ 56.57
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Over in the grains, the week was mostly uneventful even with a crop report early in the week. US corn ending stocks are now projected at 50 MBU lower and US soybean stocks 25 MBU lower both friendly to higher prices while US wheat stocks only 5 MBU higher which was expected due to the miserable export pace. World stocks were not as friendly with world corn stocks slightly higher due to production increases in Argentina, Mexico, Ukraine and the EU countries. World soybean stocks lower reflecting the change in US ending stocks lower. Argentina's production was raised 1 MMT while Brazil's was lowered 1 MMT with both still projected to produce record crops. The most bearish news came from the world wheat picture with ending stocks raised 1.85 MMT. Production was increased in Argentina, Kazakhstan and Ukraine. Grains were pressured for the first half of the week but rallied during the last half. World supplies are burdensome and growing added with a strong $US limit our chances to increase demand for US grains. World prices for wheat, corn, soybeans and meal are all currently cheaper elsewhere in the range of $5 to $20/MT. Weather should be the fundamental driver of price as we move towards spring with wheat coming out of dormancy and fall crops planted.

For the week, March Corn +$.01 ½, March Soybeans +$.17, March KC wheat +$.01, March Chicago Wheat +$.06 and March Soybean Meal +$2.90/Ton.

Overnight grains were higher with support coming from continued strong demand for soybeans and meal and fighting again in Ukraine. Wheat finished 8 to 11 higher, soybeans up 7 to 8 and corn 2 higher.

Labor union lockout at 29 pacific ports has left containers setting on ships or at interior points not moving. This has started to back up DDG stocks in the interior and will eventually lead to price degradation. The real and growing concern is the export of meat, vegetable, and fruit stocks. These ports and the activity through and around them represent about 3.5 pct of the US GDP. The US Labor Secretary has moved into to facilitate negotiations and could be a precursor of back to work proclamations if negotiations are not improved.

NOPA domestic crush for January will be released later today. The average pre report trade estimate is 162.6 MBU of soybeans crushed with the high end of the range up to 164 MBU. This compares to 165.3 in December and 156.9 MBU last January. The soybean meal pipeline has been filled back up since in essence empty this past fall, but crushers have been able to hold higher meal basis levels with strong domestic demand to support margins still holding above a $1.00/BU.

Looking at the charts, all the grains have been choppy sideways with near by 10 day moving averages at or just below current prices. Longer term, we are still in a downtrend with 100 day moving averages for most above the current markets and providing resistance levels. March corn has support in the $3.84 to $3.81 range as both moving averages have converged here recently. We did break the $3.88 resistance this past week but could not follow through for a push to the $4.00 barrier. March soybeans have a wider range with support at $9.77 and resistance in the $10.00 to $10.05 range. March KC wheat has support at $5.20 with resistance at $5.49 and March Chicago wheat has support at $5.56 ½ with resistance at $5.98.

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