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Morning Ag Markets

Matt Hines

Strong gains held up yesterday for both cattle and hogs with feeder cattle the leaders up $3+. Strong technical buying kicked in yesterday pushing August feeders up to a new recent high. Supply concerns are building with heifer retention and cash markets still charging higher with excellent pasture conditions.

Cattle slaughter from Thursday estimated at 116,000 head, up 3,000 from a week ago but down 3,000 from a year ago. Week to date totals at 350,000 head compared to 364,000 last year.

Boxed beef cutout values lower on light to moderate demand and moderate offerings.
Choice Cutout__259.25 -1.86
Select Cutout__246.74 -3.14
Feeder Index:__222.45 +.34

Hog slaughter from Thursday estimated at 413,000 head, down 12,000 from a week ago and down 6,000 from a year ago. Week to date ahead of last year by 14,000 head so far at 1,272,000.

Lean Index.__82.20 -.31
Pork carcass cutout__84.63 -2.65
IA-S.MN direct avg__Not available yesterday
National Average__79.54 +1.32

Expectations are for packers to be increasing slaughter rates here soon and showlists are expected to grow as we move through June. The concern is if beef prices can keep up and handle the extra tonnage. The cash market for calves and feeders continues to strengthen and thoughts that the feeder supply will tighten heading into summer is currently the most supporting factor.

August feeders have charged higher breaking through resistance levels now with this year's high at $226.75 in sight. June live cattle topped the $154 area for the 4th time over the past 2 months with the 3 previous not showing any follow through. $154.97 is the recent high with $158.25 the high back in January and support at $152.35. June lean hogs still choppy sideways but looking to test the $85 resistance area with support in the $83 area.
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Over in the grains it was a mixed day with fairly tight ranges. Corn was the leader higher finding support at contract lows and from the the weekly EIA report showing an ethanol production increase of 1.15%, a stocks decrease of 1.65%, with gasoline demand 5.1% higher. The soybean and meal rally took a break as rumors were flowing that the labor strike in Argentina had reached a settlement. Wheat finished mixed with KC lower and Chicago higher. Not that we were looking to get any of the business, Egypt bought 180,000 MT or 6.6 MBU Russian and 60,000 MT or 2.2 MBU Romanian wheat at cheaper levels than a week ago. What we can see is how far out US wheat is still with each of these tenders. US SRW is out $40/MT or $1.10/BU and even French wheat offers were about $10/MT or $.26/BU higher than what traded.

Overnight corn continued higher finished up 2 ½ with soybeans steady to 1 higher but wheat 2 to 3 lower.

The International Grains Council updated world supply and demand estimates increasing both corn and wheat production by 10 MMT each. Wheat production was raised from 705 MMT to 715 MMT while corn was raised from 951 MMT to 961 MMT. They also released their first estimates for the 2015/2016 crop year for soybeans at 316 MMT down from the 320 MMT they have projected for this current crop year.

Export Sales were disappointing this morning all coming in at the low end of expectations.

Corn: Net sales of 654,600 MT or 25.77 MBU for delivery in 2014/2015 were down 19% from the previous week and 8% from the prior 4-week average. Increases were reported for Japan (211,100 MT), Saudi Arabia (158,700 MT), Mexico (90,600 MT), Colombia (50,900 MT, including 35,000 MT switched from unknown destinations), China (46,000 MT), and Egypt (45,000 MT). Decreases were reported for unknown destinations (42,800 MT) and the Dominican Republic (7,300 MT). Net sales reductions of 6,700 MT for 2015/2016 resulted as increases for unknown destinations (50,800 MT) and Costa Rica (500 MT), were more than offset by decreases for China (58,000 MT).

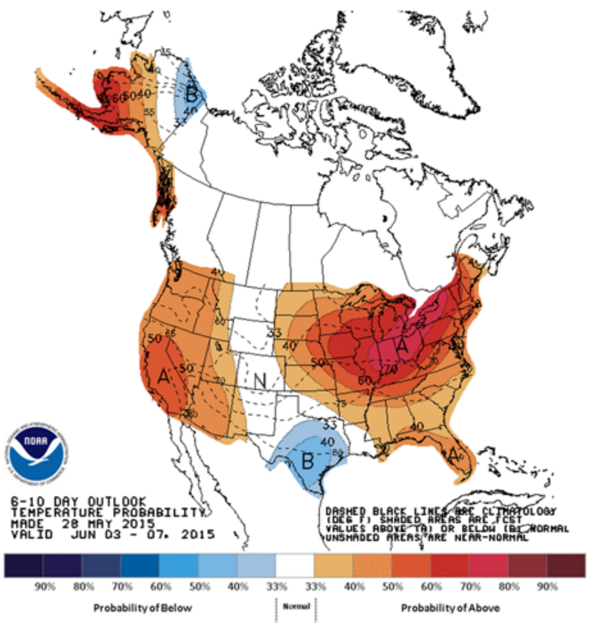
Soybeans: Net sales of 322,400 MT or 11.85 MBU for 2014/2015 were up noticeably from the previous week and up 28 percent from the prior 4-week average. Increases were reported for China (198,000 MT, including 66,000 MT switched from unknown destinations), the Netherlands (85,700 MT, including 78,000 MT switched from unknown destinations), Germany (66,600 MT, previously reported as the Netherlands), Japan (58,900 MT, including 28,300 MT switched from unknown destinations and decreases of 1,900 MT), Taiwan (51,900 MT, including 40,000 MT switched from unknown destinations), Mexico (42,400 MT), and Indonesia (16,900 MT including 500 MT switched from Vietnam and decreases of 7,200 MT). Decreases were reported for unknown destinations (212,300 MT) and Thailand (2,000 MT). Net sales of 55,100 MT for 2015/2016 were reported for Japan (55,000 MT) and unknown destinations (100 MT).

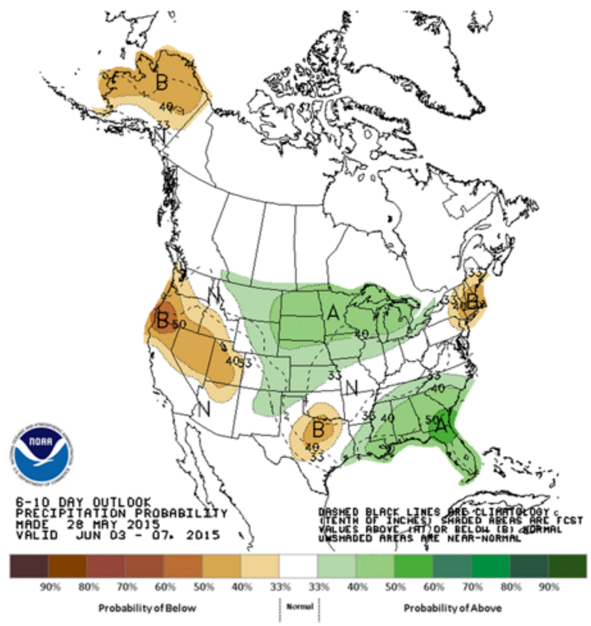
Optional Origin Sales: For 2014/2015, outstanding optional origin sales total 475,000 MT, all China. For 2015/2016, new optional origin sales totaling 55,000 MT were reported for China. Outstanding optional origin sales total 385,000 MT, all China.

Wheat: Net sales of 42,500 MT or 1.56 MBU for delivery in marketing year 2014/2015 were down 43 percent from the previous week and down noticeably from the prior 4-week average. Increases were reported for Guatemala (28,800 MT, including 25,700 MT switched from unknown destinations), the Philippines (27,300 MT), El Salvador (7,200 MT, including 5,700 MT switched from unknown destinations), China (5,400 MT), Jamaica (3,900 MT, including 6,700 MT switched from Barbados and decreases of 2,800 MT), and Thailand (3,500 MT). Decreases were reported for unknown destinations (34,600 MT), Barbados (6,700 MT), and Nigeria (1,900 MT). Net sales of 253,600 MT or 9.3 MBU for 2015/2016 were primarily for Taiwan (102,000 MT), Mexico (59,200 MT), Japan (54,800 MT), and Panama (25,000 MT).

Contract lows for corn have held so far with July corn at $3.46 ¾ and the December contract at $3.64 ¼. Resistance is at $3.60 for July and $3.77 to $3.80 range for December. July soybeans have found support in the $9.20 area with the November contract break the $9 barrier yesterday but coming back to close above it. Nearby futures dipped into the $8.80 area in the fall of 2010. Wheat charts look very bearish now breaking the range bound trade of the last week. We will see if the selling slows down as we approach the contract lows at $4.60 for the July Chicago contract and $4.85 ½ July KC Contract.

After today's hit and miss rains and possibly storms it looks to clear up locally. The 6-10 maps continue to show above normal temperatures with above normal precipitation creeping into the Central Plains and Corn Belt from the North and continuing in the Southeast.





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