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Morning Ag Markets

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Cattle futures finished Friday and last week lower with boxed beef prices lower and packers not looking to pay up as they cut back hours both last week and heading into this week. Feedlots dribbled in some cash sales starting mid-week and continuing through Friday at $150 live and $240 on a dressed basis, both steady with a week ago. Cutout values are now below year ago levels for the first time this year despite smaller beef production. Certainly the huge increase in pork production this summer is a factor, and there are more than ample supplies of chicken to offset the decline in turkey supplies. The decline in pricing should be enough to generate some better buying in the weeks to come, and a halt to the slide, but sources do not look for the same contra-seasonal rally that we had last year. There is just too much in the way of alternative proteins available to retailers for features.

Hogs finished mixed on Friday and mixed for the week. Nearby contracts have held support recently but deferred contracts have been pulled lower with concerns of growing production levels through the first half of next year. The cash hog market was firm all last week as packers dealt with tightening numbers by bidding away their kill/cut margins. Part of the tightness in hog numbers is real. The market could develop a weaker undertone this week if packers make further cutbacks in slaughter.

For the week, August Live Cattle down $3.75, August Feeder Cattle down $6.20, July Lean Hogs up $.20

Cattle slaughter from Friday estimated at 108,000 head up 38,000 from a week ago but down 5,000 from a year ago. For the week, 551,000 head, up 30,000 from a week ago but down 28,000 from a year ago. Year to date numbers now at 6.9% less than a year ago.

Boxed beef cutout values lower on light demand and moderate to heavy offerings.
Choice Cutout__236.98 -2.74
Select Cutout__233.99 -2.59
Feeder Index:__221.44 -1.05

Hog slaughter from Friday estimated at 394,000 head, up 233,000 from a week ago and up 113,000 from a year ago. For the week, 2,079,000 head, up 222,000 from a week ago and up 218,000 compared to a year ago. The year to date difference out to 6.9% more than a year ago.

Lean Index.__79.24 +.58
Pork carcass cutout__80.79 -.48
IA-S.MN direct avg__77.59 -.69
National Average__76.85 -.54

Opening calls are steady to mixed for cattle and hog futures with cash calls steady for hogs but up to $2 lower for cattle. We should see a combination of follow through selling balanced out with some short covering. August live cattle broke the June lows on Friday and now show a downtrend with the next areas of support seen at $146 and $144. August feeders show an even steeper downtrend with the $210 area still holding support. July lean hogs bumped its head on the 100-day moving average last week in the $80 area which would need to taken out for additional buying to jump in and push prices higher.
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Over in the grains, it was report day on Friday with bearish wheat data both domestically and in China with a massive gain of over 12 MMT to world ending stocks forecasted. Total world production now up to 722 MMT which is still less than last year's record but ranks 2nd highest in history. The corn and soybean forecasts were somewhat friendly with 15/16 crop year ending stocks lowered and most expecting USDA to lower acreage soon as well. There were quite a few adjustments to both old crop and new crop US corn and soybean balance sheets. In the end, US corn ending stocks for the 2015/2016 crop year are down 172 MBU to 1.599 BBU while soybean ending stocks are now forecast 50 MBU lower at 425 MBU.

For the week, September Corn up $.06 ¼, December up $.07 ¾, August Soybeans down $.06 ¼, November down $.08, September KC Wheat down $.19 ½, September Chicago Wheat down $.14 ½.

Overnight, grains were mixed but all finished lower. Corn held the best at 1 lower while wheat finished 4 to 5 lower and soybeans down 6 to 7.

After a 17 hour marathon bargaining session this weekend EU leaders and the Greek Prime Minister were able to come to an agreement for talks on an 86 billion Euro bailout for the Greek economy, keeping Greece in the EU for now.

USDA announced a private sale of 121,927 MT or 4.8 MBU of corn to Mexico.

Fall crop conditions are expected to remain unchanged to drop 1% in this afternoon's crop progress and conditions report. East conditions should continue to show deterioration while the west should show some continued improvement.

The heat settles in this week along with another 2-3" of rain forecasted in Eastern Corn Belt. The 6-10 day maps show normal to above normal temperatures to continue for the Plains and Corn Belt with below normal precipitation in the South.

September corn took out the highs from last December and now look to fill the nickel gap left over a year ago. There should be decent support from $4.23 to $4.20. August soybeans did break down below $10 last week but reached back above by the end of the week. The $10.60 area will be some strong resistance to break. Wheat charts have turned back down again with support for the KC September contract down at $5.60 and then $5.48 ½. September Chicago wheat trying to hold a little better but support there again at $5.60 and $5.40.

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