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Morning Ag Markets

Matt Hines

The past few sessions, feeders have been stuck between rising cash feeder prices and tight supplies vs. lower fed cattle prices, beef prices tanking and corn rallying. Yesterday was a day for the feeders to let loose, and push back higher holding triple digit gains especially with corn falling as hard as it did after scoring new recent highs.

Near term beef demand remains a little sluggish and as a result packers are cutting back on kills. The dog days of summer are here and the boxed beef market is certainly showing that since last week. Demand for beef from retail buyers is sluggish as there remain plentiful supplies of cheaper proteins available to retail buyers. We saw decent sales volumes of beef last week in Monday's comprehensive report but it took sharply lower prices to accomplish that.

Cattle slaughter from Tuesday estimated at 112,000 head up 2,000 from a week ago but down 3,000 from a year ago.

Boxed beef cutout values steady on Choice and higher on Select on light to moderate demand and light offerings.
Choice Cutout__236.04 +.04
Select Cutout__233.96 +1.26
Feeder Index:__224.35 -.16

Hog slaughter from Tuesday estimated at 418,000 head, down 5,000 from a week ago but up 21,000 from a year ago.

Lean Index.__80.26 +.51
Pork carcass cutout__81.83 -.21
IA-S.MN direct avg__77.77 -.33

National Average__77.12 -.01

The gains in feeders yesterday helped nearby but the downtrend is still holding until August breaks $216. August fats really need to hold $146 or higher for any hopes of steady cash feedlot trade this week. July lean hogs are the positive chart with support at $79.60 and $79.00.
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Over in the grains, the corn bulls may have run out of gas with conditions stable from Monday night. Corn was overbought and due for a correction but the outside lower day could cause some additional selling this week. Soybeans tried to stay higher with conditions slightly worse but were unable to hold early gains. Wheat harvest presses on pushing basis levels and futures lower with hefty discounts on both SRW and HRW being seen throughout the country.

Egypt purchased another round of wheat yesterday for LH August shipment. Initial offers were about $3 higher than last week with most coming from the Black Sea region. Egypt ended up buying 2 cargos each from Romania and Russia but the price paid was $2 less than what traded last week so the US remains some $50/MT premium to the world marketplace.

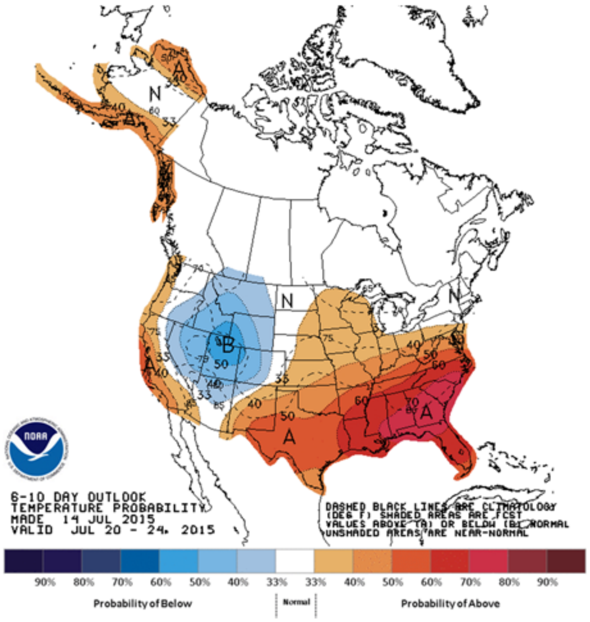
Overnight all grains were lower with follow through selling. Corn finished down 2 to 3, soybeans down 5 to 7 and wheat down 4 to 7.

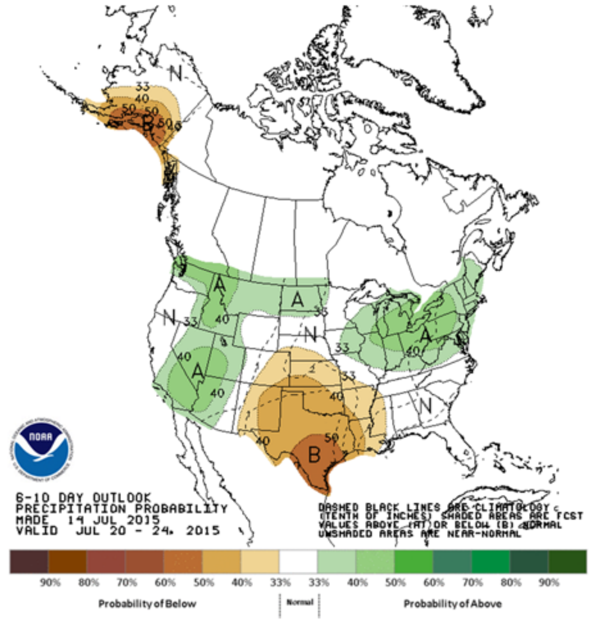
There is some selling pressure coming from the fact that US grains are not competitive in the current world marketplace. I already covered the wheat price disparity earlier but corn and soybeans with the recent weather rallies have pushed prices too high to trade as well. China has been on a South American soybean buying spree so far this week and the math currently works to bring South American corn into the US.

NOPA June crush will be released later today. The average estimate is at 141.5 MBU crushed domestically vs. 148.4 in May and 118.7 MBU last June. The June record sits at 141.58 MBU back in 2007 and with last month's crush margins running near $1/BU, we could see a new record today.

The reverse lower in September corn yesterday could lead us down to the $4.20 area or even $4.10 in quick fashion. August soybeans are holding support so far at $10.25 but looking to break here soon also. Wheat futures are getting in the oversold category now with $5.50 the next line of support.

The weather continues to go back and forth with better forecasts the end of this week and into early next. The updated 6-10 maps though bring the above normal precipitation back into the Eastern Corn Belt.





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