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Morning Ag Markets

Matt Hines

Cattle futures traded mixed throughout the day yesterday as lean hogs had another impressive day higher supported by higher pork prices. Both live cattle and feeder cattle futures started the day higher but lost momentum as it seemed the bulls just ran out of gas for the time being. There was no enthusiasm to push the market any higher as we await cash values this week. Beef prices have been steady to weak the past couple days not providing any additional support to rally prices but also not crashing lower and pressuring prices. Early feeder cash prices have been steady to a couple dollars better than a week ago.

Seasonally, so far this year doesn’t look to unusual and in fact is pretty close to a textbook case. Looking back over the past ten years, a seasonal fed steer price index shows an average spring peak at week 16 and an average summer low at week 29. This year, the spring market peaked at week 14 with the recent low at week 30. The price break is typically around 10% whereas this year’s break came in at 13%. The boxed beef market is also following the seasonal pattern of the last ten years with the peak coming in week 20 and the low in week 30. This year’s Choice cutout high of $263.19 was in week 20 and, if it holds, the low last week at $232.73.

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

Boxed beef cutout values weak on light to moderate demand and moderate offerings.
Choice Cutout__233.48 -.51, during the month of July -19.48
Select Cutout__228.17 -.66, during the month of July -20.06
Feeder Index:__217.38 +.35, during the month of July -7.79

Hog slaughter from Tuesday estimated at 424,000 head which matches last Tuesday and up 20,000 compared to a year ago.

Lean Index.__78.68 unchanged, during the month of July +1.64
Pork carcass cutout__88.57 +.63, during the month of July +6.04
IA-S.MN direct avg__76.08 -.57
National Average__74.66 -.32

August live cattle left a pretty big gap from $146.52-$147.30 and if we don't come back and fill that I think it's bullish for price action the balance of the week. Resistance has been at the 100 day moving average, now at $148.80. I wouldn't doubt in the process of all this we can see August feeder cattle make a run for overhead resistance levels of $216-$218 as well. Bottom line, the near term fundamentals of the cattle market have improved if only for a short period of time but that means I think we can see a little run higher in the futures market. August lean hogs have a nice steady uptrend going with a full retracement possibly to the $84 area and good support in the $80 to $79 area.
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Over in the grains, an overnight rally started late Monday and into early Tuesday trading hours but quickly faded during the day session. Wheat was the leader to the downside while corn and soybeans traded lower but were able to climb back into positive territory by day's end. Forecasts are showing mixed precipitation chances for the Midwest and into the Corn Belt this week with extended forecasts turning warmer and drier.

Overnight soybeans were leading a charge higher but no follow through from corn and wheat. Soybeans finished 10 to 12 higher with corn steady to up 1 and wheat steady to down 1.

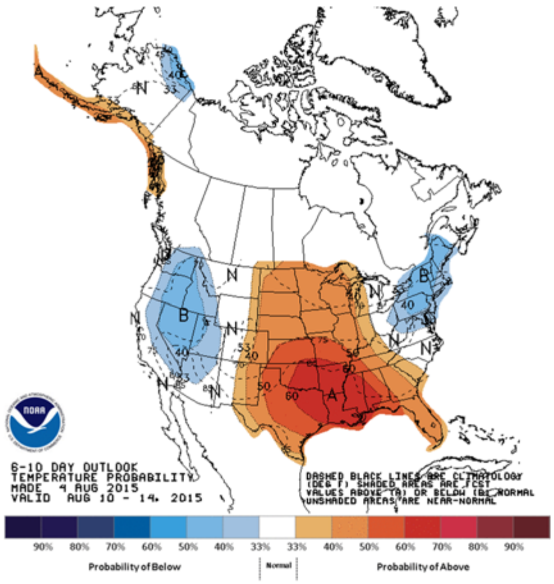
Private forecasts continue to roll out this week ahead of next week's USDA supply and demand report. Currently corn yields are ranging from 160 to 165 bpa and soybean yields from 42 to 45. Informa will release their estimates later today.

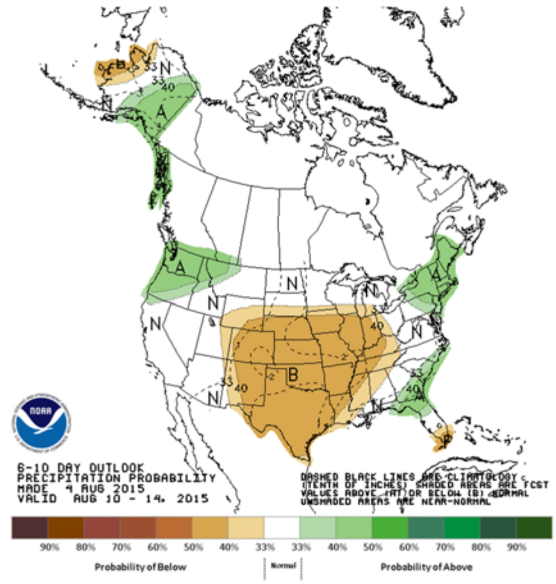
Dec corn has traded pretty much sideways between $3.75 and $3.88 for the last week. The market is trying to correct the oversold condition but also not sure we are able to stack up much of a rally here. There appears to be a lot of demand bears that offset the supply side bulls. Support remains at $3.70 with the contract low at $3.62 ½ and resistance at $3.88 to $3.90. Hard to see a sustained rally here until Brazil runs out of corn, soybeans catch a weather rally in August or if combines in the field turn out lower yields than expected.

November soybeans continue better supported than corn and wheat. We did trade down to new recent lows on Monday but have been able to pull back higher since. Support is still solid at $9.20 to $9.00 with the contract low at $8.95 ¾. A trade over $9.60 creates an outside week and could fill the nickel gap left last week. Strong resistance though is seen from $9.50 to $9.54.

The wheat market continues to threaten new lows with the September KC contract standing on thin ice for a new low this week only a couple cents away. The September Chicago wheat contract has a few critical support areas. The low in June at $4.88 ¼, followed by the late May low at $4.80 and finally the contract low at $4.69 ¼. So far it looks like $5.00 will keep the lid on any rallies.

Rains are moving through the area today and into the Corn Belt but the 6-10 day maps show below normal precipitation for most everyone. Above normal temps are forecasted as well through the middle of the US with the highest temps seen in the Southeast.





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