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Morning Ag Markets

Matt Hines

Sharply lower livestock futures on Friday with light cash feedlot trade late Friday also lower than a week ago as well. Trade in Nebraska was reported at $198 to $202 on a dressed basis and $126 live, which is $1 to $4 lower than the previous week. The only friendly news for cattle and hogs may have been that new contract lows were set midweek and not yet tested again.

For the week, Friday to Friday, December Live Cattle down $4.25, February down $4.50, November Feeders down $6.55, January down $7.47, December Lean Hogs down $.20, February down $1.25.

Cattle slaughter from Friday estimated at 94,000 head, down 2,000 from a week ago and down 15,000 from a year ago. For the week, 556,000 head, down 7,000 from a week ago and down 8,000 from a year ago. The year to date difference continues to decrease though, now at 5.6% less than a year ago.

Boxed beef cutout values sharply lower on light demand and moderate offerings.
Choice Cutout__209.30 -2.50
Select Cutout__199.05 -1.43
Feeder Index:__181.28 -.87, down over $10 so far this month

Hog slaughter from Friday estimated at 433,000 head, up 1,000 from a week ago and up 20,000 from a year ago. For the week, 2,388,000 head, up 28,000 from a week ago and up 166,000 from a year ago. The year to date difference remained the same though at 7.9% more than a year ago.

Lean Index.__57.93 -.96
Pork carcass cutout__73.36 -2.81
IA-S.MN direct avg__51.76 -.13
National Average__51.05 -.26

Opening calls are mixed this morning with some expecting short covering or profit taking after last week's losses and others looking for the slide to continue. Honestly, it is very hard to make a call with such volatility and little to no reason for the extreme back and forths. Technically the livestock markets are oversold but the trend is still lower

December live cattle have a contract low at $127.42 set last Tuesday with resistance up in the $134 area. November feeders have a contract low at $160.77 and resistance in the $170 area. December lean hogs contract low at $52.80 and prices were able to push back above the 10-day moving average late last week. Last week's high at $57.15 will be the first line of resistance followed by the $59 area.
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The entire commodity markets are weak except for a select few after spending these past few years at historical highs. The surprisingly bearish crop report that was issued by the USDA this past Tuesday is just one of the many stories that now appear to be spreading fear among other markets with the belief that the sagging fortunes in the commodity world are a reflection of the stagnant global economy and could even be signaling deeper underlying problems. The copper market has pressed down to the lowest level in six years and crude oil inventories continue to swell. Both markets are treated as barometers for the global economy and, combined with the negative action in the Ag markets and other metals and energies, we have seen commodity indexes press down to the lowest level this year and back to within striking distance of the lows posted back in 2009 at the height of the "great recession." On the flip side with the masses now talking about commodities now, we may be just about ready to stabilize this slide because historically the masses become bearish at the bottom and bullish at the top.

Export sales were not too far from expectations reported on Friday. Wheat sales at 8 MBU included 3.5 MBU hard wheat, 900,000 BU soft red, 1.3 MBU spring, and 2.9 MBU white. Total year to date sales now at 480 MBU vs. 581 last year. Corn sales totaled 24 MBU taking year to date totals to 542 MBU vs. 777 MBU last year. Sorghum sales were 4 MBU with year to date now at 153 MBU vs. 137 last year. Soybean sales were 48 MBU with year to date now at 1.07 BBU vs. 1.35 last year. China added 16.2 MBU and moved 26.7 MBU from unknown taking total Chinese purchases to 590 MBU vs. 843 MBU last year.

Informa released acreage estimates for next year. Winter wheat off .8 at 38.7 million Corn 90.1 which is 700,000 less than last month but still 1.7 million more than last year. Beans at 85.3 million acres which is up 1.4 million from last month and up 2.1 million from last year. This is a gain in corn and bean acres of 3.8 million acres over last year but at this time I don't think current prices encourage the increase. I suppose some of the increase could come in smaller prevent plant next spring. Currently double crop soybeans behind wheat is still best income.

For the week, Friday to Friday, December corn down $.14 ¾, March down $.16 ¼, January Soybeans down $.12, March down $.13 ¼, December KC Wheat down $.24 ¾, NC July down $.29, December Chicago Wheat down $.27 ½, July down $.27 ½.

Overnight grains were steady to lower with corn steady, soybeans down 2 and wheat down 2 to 3.

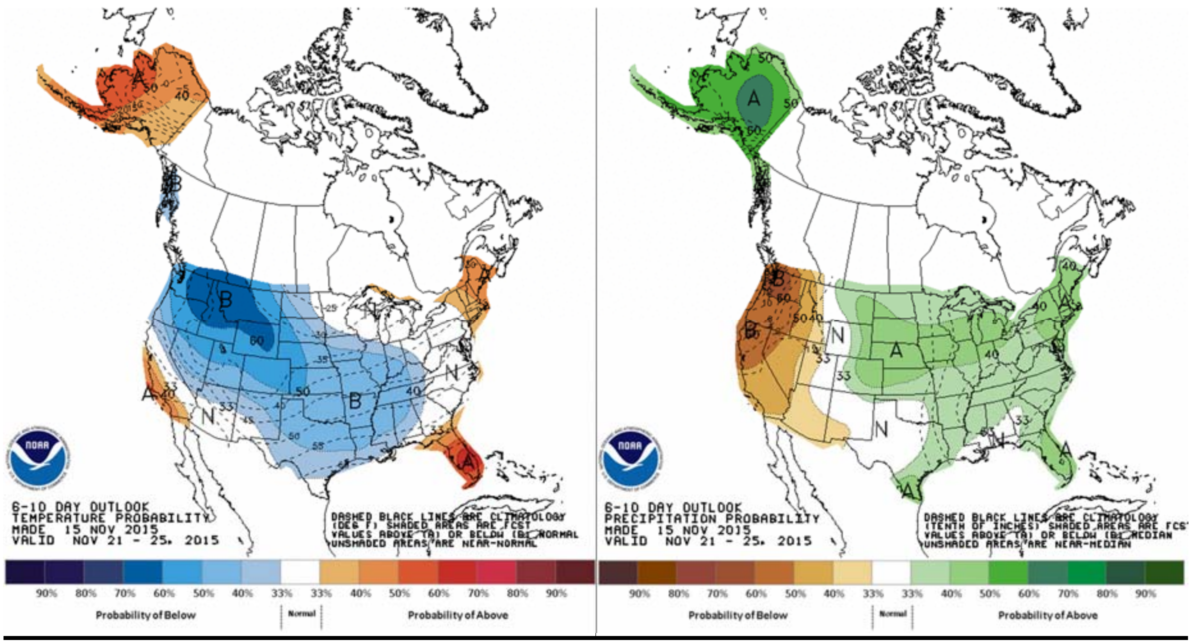
USDA announced this morning a private sale of 56.7 MBU of corn sold to Mexico with 37.5 MBU this crop year and 19.2 MBU for next crop year. They also announced another 6.6 MBU of soybeans sold to China for this crop year.

The pre report estimate ahead of today's October NOPA crush report is expecting the report to show 161 MBU crushed during the month and that is much greater than the year ago month when US crushers had processed 157.9 MBU.

Technically all grains on sitting on the cliff's edge with all but Chicago wheat near contract lows. December Chicago wheat is still holding an uptrend but prices are right at that level and would need to hold above $4.90 this week to keep it intact. December KC wheat has a contract low at $4.55 ¼ with resistance in the $4.75 area. December corn contract low is at $3.56 with the 10-day moving average overhead at $3.67 ½. January soybeans contract lows is at $8.50 with the 10-day moving average at $8.64 ¾ and additional resistance at $8.75.

Brazil and Argentina weather outlooks are favorable for summer crops over the next two weeks with some dryness expected in west-central Brazil but no general concerns or threats to early season crop development or planting is anticipated. Both areas of concern for hot and dry conditions have received from recent breaks and forecasts look better in Australia and the Black Sea region.

Heavy rain remains in place over the PNW for this week with accumulations that could reach 5 to 6 inches. The next storm shows over the southern plains and Miss River Valley which are underway now. It will do a better job of covering the dry areas of hard wheat country but also moves east to cover soft wheat country. Arkansas seems to be the center of the storm event for now but the line from Mississippi to Michigan is looking at 1 to 3 inches by the end of the week. The 6 to 10 day maps show normal to below normal temps for all. Precip is below normal for the West Coast while the eastern half of the country is above normal.



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