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Morning Ag Markets
Matt Hines

Strong commercial buying interest flooded nearby cattle futures Thursday morning, sparking additional interest in live and feeder cattle contracts. Nearby feeder cattle futures continued to lead the complex higher throughout the session. Lean hog futures shook off early losses and slowly but steadily gained momentum throughout the day yesterday. Gains were seen mostly from being pulled higher by the cattle futures but cash trade over the past 2 days has been supportive adding a couple dollars as well.

So far this week there has been a couple thousand head of cattle that have sold in Texas/Nebraska/Iowa for $136 live and $2.14 dressed, which would be fully steady with last week's market. The undertone of the cash fed cattle trade this week remains fully steady/$1-$2 higher. The nationwide warm up is pushing ground beef prices higher this week which will be needed to push packers to increase slaughter and in turn push fat cattle prices higher from here.

Cattle slaughter from Thursday estimated at 108,000 head, down 1,000 from week ago but up 5,000 compared to a year ago.

Hog slaughter from Thursday estimated at 436,000 head, up 4,000 from a week ago and up 3,000 from year ago.

Boxed beef cutout values were higher on Choice and steady on Select on moderate to fairly good demand and moderate offerings for a total of 140 loads sold.
Choice Cutout__225.24 +1.42
Select Cutout__213.85 +.21
CME Feeder Index__159.57 -.09
CME Lean Hog Index__66.48 +.02

Pork carcass cutout__76.65 +.72
IA-S.MN direct avg__65.27 +1.13
National Average__63.76 +1.04

April live cattle pushed past the February high yesterday with $138.95, the high back from December, as the next line of resistance and good support in the $135 to $134.50 area. March Feeders finally broke through the $160 resistance now looking at the $165 area with the 2016 high at $166.87. April lean hogs touched the bottom of the up trending channel earlier this week and quickly rallied back to take out the $72 resistance level. The channel boundaries are now near $70 on the bottom side and $74 on the topside.
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Over in the grains, the uneventful to slightly friendly S&D report midweek as helped firm futures. Yesterday's rally though more linked to currency markets and maybe a little weather premium being added in. The EU central bank lowed fed rates to minus .4% with news of more quantitative easing. This sent the US dollar racing lower giving all the grains a lift yesterday. In addition to the currency related rally, some are pointing to a weather threat developing. SRW acres across the delta and mid-south have had 10+ inches of rain over a broad area so far this week. This opens the door to another poor quality SRW crop but also puts some delays in corn planting in these states. The HRW states have a cold weather threat that starts to show in longer term forecast near the end of March. The weather to date has pushed wheat well ahead of normal development so this timing could damage wheat if the forecast comes true.

Export sales released yesterday morning continue to show better corn sales as wheat and soybean sales slow. Corn sales were 1.17 MMT or 46.2 MBU taking sales to date to 1.135 BBU vs. 1.419 last year. Wheat sales were 330,600 MT or 12.1 MBU with 102,900 MT or 3.8 MBU added to new crop. This takes total sales to 675 MBU for this current marketing year vs. 818 MBU last year. Soybean sales were 475,200 MT or 18.7 MBU taking total year to date to 1.574 BBU vs. 1.749 at this time a year ago.

Overnight grains were mixed with corn steady, soybeans 2 to 3 higher, KC wheat 1 higher and Chicago wheat steady to ½ cent lower.

Along with the EU and US currency move yesterday, the Brazilian real has firmed and now traded over the November highs on the weekly charts setting up the potential for some addition rally. This will make it more difficult to originate corn and beans from this origin. Current values show US soybeans land in China at around $365 to $368/MT for April-May with Brazil near $360 for the same period. Argentine soybeans land at $353-$355 for May-June. The Brazil vessel line up is over 10 MMT beans, almost 2.0 MMT meal and still over 1.5 MMT corn.

Additional heavy rainfall and strong thunderstorms are in the forecast across the south-central U.S. through Saturday. Over the next 7 days, 1-2 inches is expected over the Eastern half of the US with 5-7 inches expected in SE LA and Southern MS. The 6-10 day maps show above normal precipitation to continue in the South. Temperatures are forecasted above normal East and below normal centered on the Rockies.

The May corn contract has pushed into a new high for the month and back to the midpoint of the 3 month long range bound trade from $3.54 to $3.78. May soybeans did not break the $8.90 resistance yesterday but did overnight which is a new high for 2016. The $9 area will be tested next as the November contract was able to break that area already. Both KC and Chicago May wheat contracts have pushed above their down trending line but a move above the $4.90 level is still needed for some additionally buying to come in. IF you are looking out to the July contracts, the $5 area is the key target now.

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