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Morning Ag Markets

Matt Hines

Livestock futures were mixed to start the month of March as equities shot higher, more than likely pulling available funds that direction instead of investing again in cattle futures. Cash feeders and calves are reported $2 to $4 higher for the start of the week at most salebarns but futures were off with some light position squaring. March is called by some the poorest month for beef consumption, but with this spring like weather early, we could see better beef business develop and this should prompt packers to increase slaughter rates and create a little more competition for cash cattle.

One thing the feeding industry does have going for it is the fact that funds are back in buying the cattle futures market. They are long and appear to be here to support the market on breaks, so if the futures don't fall apart this week it may force a fully steady fed cattle trade. Another positive for the boxed beef trade is that we have seen export business pick up a little since the first of the year. Last week export sales were 14% of weekly sales volume. Since late December through the middle of February export sales were only accounting for 7%-10% of weekly sales.

Cattle slaughter from Tuesday estimated at 110,000 head, up 1,000 from week ago and up 1,000 from a year ago.

Hog slaughter from Tuesday estimated at 437,000 head, down 1,000 from a week ago but up 4,000 from year ago.

Boxed beef cutout values higher on Choice and steady on Select on light to moderate demand and light offerings for a total of 120 loads sold.
Choice Cutout__218.15 +1.99
Select Cutout__212.97 +.13
CME Feeder Index__159.26 +.27

CME Lean Hog Index__66.76 -.02
Pork carcass cutout__74.82 -.14
IA-S.MN direct avg__63.92 +.96
National Average__62.05 +.18

April live cattle held above the $136 support level with the first line of resistance at the December high at $138.95 and the next resistance area up at the October high at $144.45. March Feeders still having trouble breaking the $160 resistance with support in the $155 area. I still think with where cash feeders are trading we can take a run up the $165 area. April lean hogs are still in their higher trending channel with support in the $68 level and the $72 area as resistance.
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All three grains closed lower Tuesday with wheat leading the way down into new contract lows. Most soybean contracts were able to hold off from breaking into that territory but all were tested. And in corn, the nearby contracts were also able to hold off breaking into new lows but the deferred contracts did set new lows. USDA reported 140,000 MT or 5.1 MBU of soybeans sold for unknown destinations yesterday. This is the first bean sale in nearly two months. The last announcement was Jan 28 and that was a cancellation. With the month of February behind us it looks like the crop insurance number for Corn will be at $3.86 and Soybeans at $8.85 compared to last year's $4.15 & $9.73.

Winter Wheat conditions will not be released on a national report for another couple weeks but state reports were updated earlier this week.

SD 1% p/vp, 69% g/e vs last year 7% p/vp, 49% g/e
NE 3% p/vp, 59% g/e vs. last year 3% p/vp, 62% g/e
KS 6% p/vp, 59% g/e vs. last year 12% p/vp, 44% g/e
OK 1% p/vp, 68% g/e vs. last year 16% p/vp, 42% g/e
TX 15% p/vp, 40% g/e vs. last year 12% p/vp, 46% g/e

Overnight grains were mostly steady to fractionally higher with Chicago wheat the only grain to finish steady to 1 lower.

With the new lows yesterday, Egypt is back in for another tender, this time looking for soft wheat. After last week's purchase of 11 MBU they had stated they had enough reserves to last through mid-June, but cash is king and with new lows Egypt continues to purchase.

Brazil export data now released at the beginning of each month with both soybean and corn exports for February larger than expected. They exported 2.04 MMT of soybeans in Feb, nearly 75 MBU, which was a sharp increase form 14.3 MBU in Jan, and well ahead of the near 32 MBU of Feb 2015 exports. Corn exports totaled 5.4 MMT or 212.6 MBU in February, which is up from the 177.2 MBU in January, and only 43.3 MBU last February.

The USDA reported Corn used to make Ethanol in January came in at 441.3 MBU vs. 451.3 million in December and compares to 443.9 million last January. DDG production was reported at 1.870 MMT vs. 1.942 in December and 1.831 MMT a year ago

The May corn contract low sits at $3.54 ¼ with resistance up in the $3.65 area. May soybeans trading a 30 cent range so far this year with the contract low at $8.53 ½. The thoughts of these markets able to move into the territory pre 2008 have been widely thought of as not possible. Wheat contracts though are now only pennies away from taking out the 2007 lows.

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