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# Morning Ag Markets

## Matt Hines

Limit down fats and feeders to start last week were just too much to bear with prices not able to grab onto any upside momentum. Feeder cattle futures broke into new contract lows contradicting long term seasonal patterns. Cash feedlot trade in the South developed at $123 live but prices continued to fall as the week progressed wrapping up at $120-$122. In Nebraska, fed cattle sales wrapped up at $119 live on Friday and dressed trade fell from $200 midweek down to $194 to $192 to end the week.

NATIONAL FEEDER & STOCKER CATTLE SUMMARY - WEEK ENDING 06/17/2016

| RECEIPTS: | Auctions | Direct | Video/Internet | Total |
|---|---|---|---|---|
| This Week | 124,000 | 20,100 | 83,000 | 227,100 |
| Last Week | 182,400 | 39,600 | 47,000 | 269,000 |
| Last Year | 118,900 | 54,800 | 3,000 | 176,700 |

Compared to last week, feeder steers and heifers sold $5.00-10.00 lower. The only thing certain in the beef complex right now is uncertainty, and that was reflected this week in all aspects of the cattle sector. Cattle futures bottomed out early on Monday morning and nearly all contracts closed limit down which just set the stage for the rest of the week. Early fears of a dry summer had subsided after some timely spring rains but those fears came roaring back this week with an extended heat wave and no significant chance of rain in the long range forecast. Lots of hay was put up across the country the past 10 days with quality reportedly above average but drying fast. Crops are also still in good condition but that will change in a hurry with a long string of days with a triple digit heat index and not a rain cloud in sight. Extreme heat and humidity across cattle country slowed movement of feeders to auction barns, but even with much lighter receipts most auctions saw sharply lower trade compared to last week.

It’s tough to transition cattle to a new environment in such conditions, especially when the cattle in question are soft bawling calves. Feeder cattle aren’t the only ones who suffer in the heat though, as feedlots continue to pull green cattle forward in an effort to stay current but also to protect the pounds they’ve put on the cattle in their pens. Big cattle just melt in the heat and simply can’t keep the weight on, so feeders would just as soon move them ahead as see those days on feed go to waste. In recent weeks multiple major packers have been known to need cattle but feedlots haven’t been able to capitalize. With less packer competition anticipated this week, it was clear trade would be lower but few would have ventured to guess just how much cheaper it would shake out. Midweek sales were reported at $125.00, only $3.00 lower than last week, but by the time widespread trade occurred late Thursday, live sales were mostly $120.00-121.00 in the south, $8.00 lower and $119.00-120.00 in the north, $9.00 lower. Even more dramatically, dressed sales in the northern plains were reported at $190.00-196.00, a whopping $13.00-17.00 lower than just one week ago. Volatility abounds. This collapse is no surprise really and has been anticipated for some time but it’s still a tough pill to swallow. Demand has grown but supplies have too; packer margins are already generous and they clearly remain in the driver’s seat. In the daily grind of production a farmer-feeder or cow/calf man feels a long way from the packer but the trickle-down effect hits home quickly when it’s time to market their product. The best way, or currently the only way, for a cattle feeder to create any margin for themselves is to buy their replacements cheaper. As the old adage goes, “you don’t make money when you sell one, you make money when you buy one.”

For the week, Friday June 10th to Friday June 17th, June Live Cattle down up $5.72, August down $4.80, August Feeders down $8.12, September down $7.47, July Lean Hogs up $.47, August up $2.55.

Cattle slaughter from Friday estimated at 113,000 head, up 3,000 from the week previous and up 2,000 from a year ago.  Weekly totals were estimated at 557,000 head, down 2,000 from the week previous but up 16,000 compared to a year ago.

Hog slaughter from Friday estimated at 422,000 head, up 28,000 from a week ago and up 20,000 from a year ago. Weekly totals were estimated at 2,160,000 head, up 74,000 from the week previous and up 28,000 compared to a year ago.

Boxed beef cutout values lower to sharply lower on light to moderate demand and heavy offerings for a total of 136 loads sold.
Choice Cutout__221.83 -1.65, -5.85 for the week
Select Cutout__199.61 -3.14, -4.69 for the week
Feeder Index:__144.01 -2.10
Lean Index.__82.62 +.43
Pork carcass cutout__87.70 +.62, +1.38 for the week
IA-S.MN direct avg__80.70 -.61
National Average__79.81 -.54

The cattle charts are ugly after last week's collapse.  June live cattle broke below $116 with the contract low down at $113.90.  The August contract carrying the most volume now though broke the $112 barrier with the contract low down at $110.92.  August feeders were unable to break through the $148 resistance earlier this month with a new contract low reached last week at $136.90.  July lean hogs hit a new contract high last week at $88.90 pulling back to the $86 support level to end the week.
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Over in the grains, weather trading continues as hot and dry conditions, be it still in mid-June, compete against bearish supply and demand and very good early crop conditions.  It was a back and forth week with corn taking the lead now as soybeans slipped double digits lower on the week which is only the 2nd time lower since this rally first began back in March.

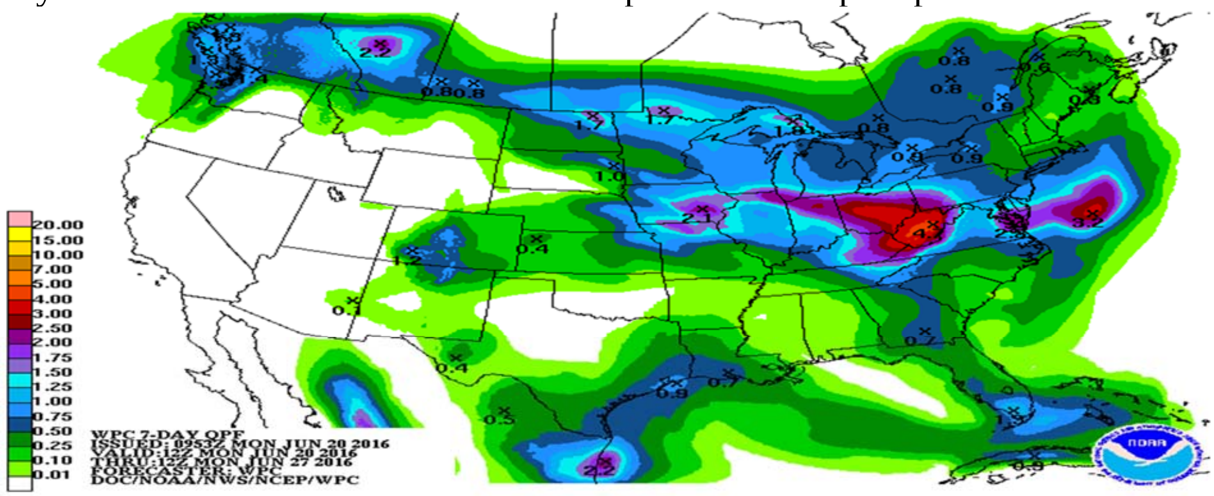
For the week, Friday June 10th to Friday June 17th, July corn up $.14 ¾, December up $.18, July Soybeans down $.18 ¾, November down $.14 ½, July KC Wheat down $.07 ¾, September down $.07, July Chicago Wheat down $.13 ¾, September down $.11 ¾.

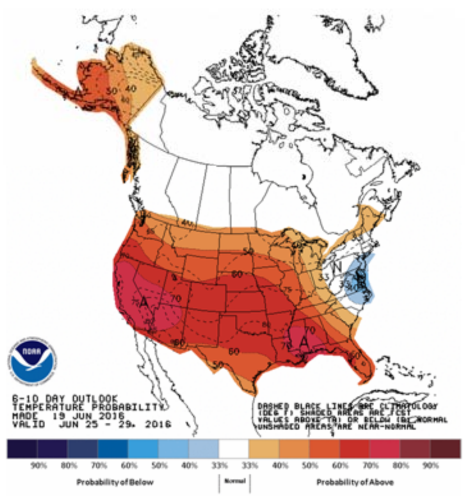
Overnight grains slid lower as forecasts are not as threatening as seen on Friday. Corn finished 8 to 9 lower, soybeans 12 to 14 lower and wheat 3 to 5 lower.

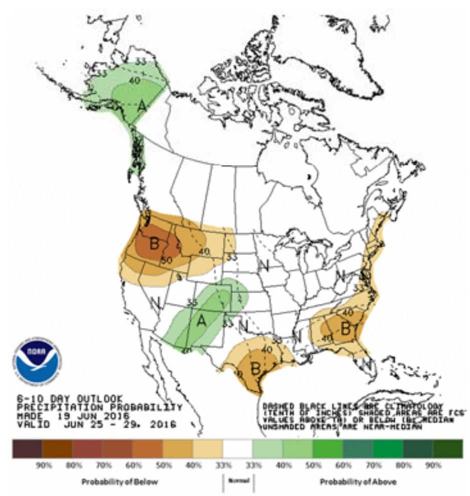
With planting of the fall crops essentially wrapped up, conditions become the main focus now from the weekly USDA Crop Progress and Conditions report. Expectations for this afternoon's report are for a 1-3% decline in both corn and soybeans conditions.

July corn hit a high at $4.39 ¼ earlier this month which has yet to be taken out with support down at $4.20.  The December contract though reached up for a new high at $4.49 on Friday.  It has been a steady grind higher for corn since early May with support at $4.30 and additional at $4.20. July soybeans had 9 consecutive weeks higher before last week's break lower. The high is up at $12.08 ½ with support now at last week's low of $11.28 ½. The November contract cleared the $11.65 contract high back from June 2014 2 weeks ago and topped out at $11.86 ¼. Support is down at $11.08 which is last week's low. Wheat contracts were choppy last week pressured by harvest and supported by fall crop rallies. The July KC contract has support at $4.50 with the contract low down at $4.41 ¼. The July Chicago wheat contact has support at $4.70 with the contract low down at $4.49 ½.

Rainfall amounts for the next 7 days are forecasted at 2 to 4 inches across the Corn Belt now, with one headline reading "4 Fronts by the July 4th". The 6-10 day outlook still shows above normal temps but normal precipitation.

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