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Morning Ag Markets

Matt Hines

The fireworks sure continued after the 4th for grains and livestock. Sellers hit the cattle futures and all grains from the opening bell but both fats and feeders turned mid-day to finish with decent gains. Lean hogs remained under pressure the entire day as cash prices have continued to erode.

Cattle slaughter from Tuesday estimated at 112,000 head, down 2,000 compared to a week ago but up 1,000 from a year ago.

Hog slaughter from Tuesday estimated at 433,000 head, up 8,000 from a week ago and up 10,000 compared to a year ago.

Boxed beef cutout values steady on Choice and higher on Select on light to moderate demand and offerings for a total of 118 loads sold.
Choice Cutout__208.83 +.10
Select Cutout__194.79 +1.06
Feeder Index:__143.49 +.20
Lean Index.__84.45 -.46
Pork carcass cutout__89.26 +.05
IA-S.MN direct avg__79.46 +.80
National Average__77.87 +.22

August live cattle hit a new contract low 2 weeks ago at $109.57 and then proceeded to rally back to the 50-day moving average at $115.70 for a high last week. The first area of support is near $112.80 with resistance up at $115.50. August feeders continue the zig zagging in the downtrending channel back from this past August with $148 on the topside and $128 on the bottom. July lean hogs just moved past the 62% retracement level going back to the low at $78.80 in May to the high in June of $88.90. Yesterday's trade tested both the support at $81.80 and resistance at the 10-day moving average of $83.60.

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Over in the grains, it was an old school, hard open with no overnight trade and right in the middle of a weather market. Corn and soybeans both gapped lower to start this week with soybeans getting within a penny of limit lower and taking out all of last week's gains. Corn was able to climb back a dime from its new contract lows yesterday. Wheat reversed during the trading session amid continued harvest pressure to finish higher for the day. Export inspections were good for corn and wheat but disappointing once again for soybeans. Wheat shipments exceeded expectations with 20.6 MBU shipped last week bringing year to date to 83.3 vs. 59.1 MBU a year ago. Corn shipments are still on pace with 45.9 MBU shipped the last week in June and 2 months yet to go to ship 446 MBU. Only 7 MBU of soybeans and 3.2 MBU of grain sorghum were inspected for export.

USDA Crop Progress & Conditions – 7/5/16
Corn Silking at 15% vs. 10% last year, 13% 5-year average
Corn Conditions left unchanged at 75% good to excellent & 5% poor to very poor (SD -5 g/e, MO +4, KS +2)
Soybeans Blooming at 22% vs. 17% last year, 10% 5-year average
Soybean Conditions -2 to 70% g/e & +2 to 7% p/vp (SD -8 g/e)
Grain Sorghum Headed at 29% vs. 23% last year, 24% 5-year average
Grain Sorghum Conditions -1 to 69% g/e, unchanged 3% p/vp
Winter Wheat Harvest 58% complete compared to 55% average
Spring Wheat Headed at 74% vs. 68% last year, 45% average
Spring Wheat Conditions unchanged at 72% g/e & +1 to 6% p/vp (SD -4 g/e)

Pressured continued overnight with soybeans 20 to 25 lower, corn 5 to 7 lower and wheat 5 to 6 lower. Even though were did not trade limit lower, the CME expanded limits for soybeans today to $1.

Weather of course has been the main driver here but there are also rumors circulating that China may begin auctioning off some reserves of soybeans. The US export sales cancelations have not been prevalent so far this year like most summers.

A general 1 to 3 inches is expected over the entire eastern 2/3 of the US for this week. The areas that have missed the last two rain events for the most part are Michigan, parts of Ohio, parts of western Iowa and Illinois, and most of South

Dakota. The 6-10 day maps from NOAA now show normal to above normal temps but still have normal to above normal preicp chances as well.

July & September corn broke below the $3.50 to $3.45 lows that have held support for the past 3 years. The September contract posted a low at $3.41 and a high at $3.56 ½ leaving a 2 cent gap. December's low is at $3.48 with a gap from $3.63 to $3.65 ¾. Soybeans held above the support levels yesterday but were then taken out overnight. The next trading range in play for August is from $10.80 to $10.40. The next area of support for November is down in the range from $10.27 (50% retracement level) to $10.18 (the low from May 25th). Wheat contracts are still chopping lower with new contract lows, basis levels still getting wider and protein discounts now for anything below 12% protein.

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