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Morning Ag Markets
Matt Hines

And let's start with the cattle market since that's where the real excitement came yesterday. At the open yesterday, business as normal, prices continued to erode lower with fats hitting new contract lows and all expect Sept feeders closing the gaps left in late July. And then at midday a swell of buying enthusiasm came rolling into both. Daily lows were hit around 11:45 for all cattle contracts. When the dust settled, fats were up $4 from those levels and feeders $6+ for a massive key reversal day.

Show lists are expected to remain shortened and slaughter needs will be less than the past two weeks due to the Labor Day holiday. Last week's market was a disaster for unhedged cattle owners. Weak sellers, reacting to a large discount in the futures, allowed packers to take full advantage of the situation. In saying that, you cannot blame a buyer that continues buying lower so long as there are sellers remaining willing to accept lower bids. Deeply discounted futures create an incentive to sell now rather than later. As evident by some light trading already this week at $110 to $111 live and $177 down to $175 dressed which was the bottom end of last week's range and $3 to $6 lower than the average.

The cow slaughter has remained consistently above last year. Heifer placements are increasing in the nation's feedyards and all indications are that the ramp up in the nation's cow herd is concluding. The larger cow slaughter has also resulted in an increasingly large supply of frozen beef in storage. These 600,000 plus head cattle kills are a little too much for the market to handle right now. Domestic beef demand isn't quite strong enough to absorb the extra production the last week or so, especially given we've seen a slight pullback in export business.

Oklahoma City had 6,500 head of feeder cattle on offer Monday with that market being called $5-$10 lower and Joplin, MO had 3,700 head with that market being called $4-$8 lower.

Cattle slaughter from Tuesday estimated at 113,000 head, even with a week ago and up 2,000 compared to a year ago.

Hog slaughter from Tuesday estimated at 435,000 head, also even with a week ago and up 10,000 compared to a year ago.

Boxed beef cutout values lower on light to moderate demand and moderate offerings for a total of 145 loads sold.
Choice Cutout__196.62 -1.80
Select Cutout__191.17 -1.17
Feeder Index:__144.18 -.12
Lean Index.__66.34 -.27
Pork carcass cutout__77.41 +.27
IA-S.MN direct avg__60.37 -.66
National Average__59.82 -.15

October live cattle have settled lower 13 of the last 15 trading sessions. The $10 trading channel and down trend since mid-March are still in play. Support right around $104 and resistance up at $114. With yesterday's move, September feeders were able to push and close above the 50-day moving average providing support at $142 now. Resistance will be at $145 and $150. October lean hog contract low is down at $57.62 and hogs have been in a very choppy $5+ trading range over the past month.
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Over in the grains, the selling continues with 6 days straight of lower settlements for soybeans and 7 days for both corn and wheat each reaching down for new contract lows yet again. Over the past few weeks, new export sales had kept the demand bulls going. This week as been fairly quiet and the supply bears are winning this current tug of war.

Overnight, grains were steady to lower. Soybeans finished 5 to 7 lower with a dime trading range. Corn was +/- penny overnight while wheat was steady to 2 higher.

The US Soybean Export Council reported that the Chinese buying delegation as agreed to purchase 4 MMT or 146 MBU with shipment details to come later. Some of the deals may begin to show up in the daily USDA export sales reporting program.

Taiwan's MFIG did not make any purchases in their 65,000 MT tender this week stating that corn prices are still too high from Brazil and the US. Egypt is looking for additional wheat for October shipment here today after now changing their specs yet again, now to a zero tolerance policy towards ergot.

So much for quiet export announcements, they came rolling in this morning from USDA…
New crop soybeans, 187,000 MT or 6.8 MBU to China
New crop corn, 275,000 MT, 10.8 MBU, to Mexico
Wheat, 138,000, 5 MBU, sold for unknown destinations

Scattered rains continued to fall across the Midwest and still projected to receive 1-3" over the next 7 days from the SW through the Plains and into the Great Lakes. The 6-10 day runs from last night show above normal temps Central and East and below normal for the western 1/3 of the US. Precipitation is normal to above normal in the northern plains into the Great Lakes with normal to below normal elsewhere.

December corn with a new contract low for the 2nd day in row. There is a technical projection down to $2.79 which is scary. We should find some support in the $2.90 to $3 area and would need to push back to $3.30 and past the $3.46 to $3.50 area to get buyers excited again. November soybeans have been very choppy this past month with a range from $9.43 up to $10.20. $9.42 was hit overnight with the next level of support down at $9.20 to $9.15. New contract lows in all the wheat markets and continued lower. We are now into the 10-year low areas with wheat and LDP's now up to $.40 or better in some areas.

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