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Morning Ag Markets

Matt Hines

It was a wild end to week for cattle futures. Futures were higher early in the week, pulled back on Thursday, opened Friday lower and went to almost limit lower during the session to close back at near steady. The freefall during the sessions though caused feedlot panic and $3 lower fed cash cattle trade. After the close, cattle on feed at the expected 101% vs. a year ago. Both placements and marketings a little higher than expectations at 115% and 118% respectively, but this is with 2 more business day this past August vs. a year ago. Placements by weight group…under 600 lb = 91%, 600-699 lbs = 135%, 700-799 lbs = 119%, over 800 lbs = 121%. Cold storage numbers were friendly to pork, down 7% from a year ago, but beef stocks at 476.92 million pounds were up 1% compared to a year ago.

NATIONAL FEEDER & STOCKER CATTLE SUMMARY – W/E 09/23/2016

RECEIPTS:	Auctions	Direct	Video/Internet	Total
This Week	158,800	58,000	23,000	239,800
Last Week	153,300	36,000	88,500	277,800
Last Year	177,700	53,200	19,700	250,600

Compared to last week, feeder steers and heifers sold mostly 3.00 to 5.00 higher, with instances 7.00 to 10.00 higher. Calves trended steady to 4.00 higher this period. With a little less volatility on the futures board, buyers were more focused on condition and willing to step up on thin to average flesh, long-time weaned calves. Seasonal fall runs have been slow to develop, causing some to question if the cattle are really out there in the country or if producers are just so depressed with current price levels they are trying to wait it out. If the excellent condition of pastures and plenty of feed, has producers holding back from marketing, they risk more price decline, to a point that the additional pounds can't catch up. On a positive note, as we move into October and November we normally see a seasonal rally in boxed beef values. This week prices have stayed somewhat steady with slight upward move late in the period, after dipping weaker mid- week. In fact, the chuck and round primal cuts have already posted good increases this week, which is very seasonal.

For the week, Friday September 16th to Friday September 23rd, October Live Cattle -$.60, December -$1.20, September Feeders +$1.32, October -$.57, October Lean Hogs -$1.47, December -$1.05.

Cattle slaughter from Friday estimated at 107,000 head, down 2,000 from a week ago and down 4,000 compared to a year ago. For the week, 592,000 head, down 12,000 compared to the week previous but up 18,000 compared to a year ago. Beef production at 492 million pounds last week vs. 500.3 the week previous and 485.9 million last year.

Hog slaughter from Friday estimated at 433,000 head, up 34,000 from a week ago and up 12,000 compared to a year ago. For the week, 2,466,000 head, up 113,000 compared to the week previous and up 183,000 compared to year ago. This was the 3rd largest weekly total ever.

Boxed beef cutout values weak to lower on light to moderate demand and moderate offerings for a total of 145 loads sold.
Choice Cutout__186.81 -.56
Select Cutout__178.81 -.81
Feeder Index:__136.10 -.01
Lean Index.__59.88 -.60
Pork carcass cutout__76.92 -1.15
IA-S.MN direct avg__51.83 -.13
National Average__50.88 -.39

October live cattle broke lower through the 10 and 20-day moving averages stopping just shy of the $3 limit. We should see some support in the $104 area and resistance is clear up at last week's high at is at $109.22. September feeders will expire later this week and look just fine with trading the $135 to $136 area. All other contracts dropped below support lines and within striking distance of testing the contract lows from earlier this month. October lean hogs punched below $54 for a new contract low at $53.70. On the weekly chart, $51.80 was the nearby low from this past November.

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Over in the grains, corn and wheat continued to stay flat but soybeans opened lower and continued to push lower throughout the day. Early bean yields are impressive from the Delta up into Great Lakes with most looking for USDA to continue to raise their yield estimates this year. The import duty on DDG by China last week will pressure prices and could cause a back log of DDG which in turn could pressure other competing feeds especially soybean meal.

For the week, Friday September 16th to Friday September 23rd, December Corn -$.00 ½, March -$.01, November Soybeans -$.11, January -$.10 ¼, December KC Wheat +$.04 ¼, March +$.04 ½, December Chicago Wheat +$.01 ½, March +$.03.

Overnight, grains were steady to lower with little to no breaking news. Corn finished 2 lower, soybeans 1 to 2 lower and wheat 1 lower. USDA announced a private sale of 240,000 MT or 8.8 MBU of soybeans sold for unknown destinations. It was rumored over the weekend that China may have purchased 2 to 3 cargoes of beans from the US.

Heavy rains fell over the weekend in the Southern Plains and lighter amounts but on already flooded areas of the Northern Corn Belt. Showers continue early this week in the ECB. The Midwest should be dry the remainder of this week. The 6-10 day runs from last night show below normal precip for the Corn Belt and East and above normal centered on the High Plains. Temps are forecasted above normal central and east and below normal west.

December corn has strong resistance in the $3.44 to $3.46 area with strong support down at $3.15. We have traded this range since mid-July. November soybeans trading the range from $9.94 to $9.37 this past month and up to $10.20 over the past couple months. Wheat contracts are still holding a slow and steady uptrend which started after reaching new contract lows in late August.

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