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Morning Ag Markets

Matt Hines

It was a brutal end to an ugly week on the livestock side with limit lower settlements for both live cattle and lean hogs and just a few ticks away from limit lower for feeders. Month end position liquidating started the runs lower followed by technical selling to push all into new contract lows.

As expected, the only shock to the hog market on Friday was the much larger than expected numbers across the board in the report. All hogs as of September 1st at 102% vs. a year ago, kept for breeding at 101% and kept for marketing at 103%. The June – August Pig crop at 102% compared to the 99.7% average pre report guess.

NATIONAL FEEDER & STOCKER CATTLE SUMMARY – W/E 09/30/2016

RECEIPTS:	Auctions	Direct	Video/Internet	Total
This Week	000,000	00,000	00,000	000,000
Last Week	158,800	58,000	23,000	239,800
Last Year	170,300	53,200	26,300	249,800

Compared to last week, steers and heifers sold mostly 2.00 to 10.00 lower around the country this week. Buyers have been reluctant to step out and procure cattle this week as more unweaned, fleshy and unvaccinated calves are coming to town. Buyers are demanding those preconditioned shots as fall-like weather in the Plains is bound to wreak havoc on those calves' immune systems as they get exposed to new types of irritants. As diversified farming operations harvest their crops, some are taking the rain breaks to market their cattle at the auctions. However, most that are watching the prices on their smart-phones and taking a wait-and-see approach thinking they can go ahead and wean calves and market after the first of the year. Cattle futures continue to be under pressure by balancing the increased feeder cattle supplies as noted in last Friday's August Cattle on Feed Placement number pegged at 1.88 mil head; 115 percent of a year ago and the steer/heifer slaughter plant capacities. The Southern Plains cow herd repopulation is well on its way to recovery after the drought earlier this decade. This week, producers needed to sell two weeks' worth of cash showlists after last week's light marketings (40,000 head). They did succeed in marketing 80,000+ in the 5-Area, however not near enough to subside the volatility in an already uncertain market and with several of those sales being for more than two week delivery. On Wednesday, new cash lows were set this week as fed cattle traded at 103.00-104.00 live in the Southern Plains and mostly 163.00 dressed in the Northern Plains. On Thursday, AMS released a statement concerning Fed Cattle Exchange (FCE) and its electronic platform of selling fed cattle on Wednesday each week. According to the release, effective October 5, 2016 those transactions will be included in the Livestock Mandatory Reporting National and Regional Direct Negotiated Slaughter Reports. Beef and Pork packers continue to stuff their coffers in the 3rd quarter as this week's estimated cattle slaughter of 611,000 and hog harvest of 2,436,000 are certainly worth noting. After last week's pig harvest estimation of 2,466,000, these two consecutive weeks would be the 3rd and 4th largest weekly FI hog slaughter on record. With the abundance of competing proteins out there, the consumer is the one that should win in this situation. However, Choice Boxed beef did gain some traction this week by gaining around 3.00 this week and then closing 2.42 lower on Friday at 187.35.

For the week, Friday September 23rd to Friday September 30th, October Live Cattle -$8.37, December -$6.72, October Feeder Cattle -$9.22, November -$10.07, October Lean Hogs -$4.97, December -$4.92.

Cattle slaughter from Friday estimated at 110,000 head, up 3,000 from a week ago but down 1,000 compared to a year ago. For the week, 611,000 head, up 19,000 compared to the week previous and up 42,000 compared to a year ago. Beef production at 509.1 million pounds last week vs. 492.0 the week previous and 482.6 million last year.

Hog slaughter from Friday estimated at 435,000 head, up 2,000 from a week ago and up 16,000 compared to a year ago. For the week, 2,436,000 head, down 30,000 compared to the week previous but up 167,000 compared to year ago.

Boxed beef cutout values lower to sharply lower on light to moderate demand and light offerings for a total of 126 loads sold.
Choice Cutout__187.35 -2.42
Select Cutout__177.87 -1.07
Feeder Index:__133.95 -.93
Lean Index.__56.80 -.55
Pork carcass cutout__73.92 -.13
IA-S.MN direct avg__48.75 -.47
National Average__48.27 -.68

October live cattle closed on a new contract low Friday breaking the $100 mark for the spot contract for the first time since 2010. October feeders also with a new contract low. The June 2011 low was down at $121.37 and the January low from that year at $120.50. October lean hogs continued their sharp decent punching through the $50 level now for the first time since 2009. The low from that year is clear down at $43.05.
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Not much action in the grains this past week with harvest back in full swing in many areas. US wheat production was dropped just slightly in the final small grains report on Friday. All wheat production totaled 2.309 BBU in 2016, up 12% from the revised 2015 total of 2.06 BBU but down 12 MBU from the last USDA estimate. Yield remained the same at 52.6 BPA but harvested acres fell from 44.1 million acres to 43.9. Corn Stocks were up slightly compared to a year ago at 1.738 BBU and also up 22 MBU from the last ending stocks estimate. Soybean stocks were up 3% from a year ago at 197 MBU and only up 2 MBU from the last estimate. All Wheat stocks though are up 21% from a year ago, the grim reminder that the US wheat stocks are very burdensome. September 1st all wheat stocks are at 2.527 BBU compared to 2.097 on September 1, 2015. Most are still assuming an acreage increase for the fall crops in the October crop report and the decrease in wheat acres just points to more to be spread out over the fall crops as well.

For the week, Friday September 23rd to Friday September 30th, December Corn + ¼, March + ¼, November Soybeans -1, January -1 ¾, December KC Wheat -6, Dec Chicago Wheat -2 ¾.

Overnight, grains were mixed with soybeans finishing 1 higher, corn ½ to ¾ lower and wheat 1 to 3 lower. Support coming from Chinese demand for soybeans and pressure from harvest. China purchased over 40 cargoes of soybeans last week but this week should be slower as China goes on holiday.

USDA will issue its August crush report later today with the average expected domestic crush estimate at 141.0 MBU. This compares to 153.4 MBU of soybeans crushed in July.

Range for harvest progress at 25-30% corn harvest complete vs. 15% last week and 25-30% for soybeans vs. 10% a week ago.

Weather was clear over the weekend as the next system is expected to hit the Plains late Tuesday. Heavy rains are forecasted with 2+ inches from NE KS to MN. The 7 day precip map shows a total of 3+ inches in the same area. The 6-10 day runs from last night show mostly above normal precip for the Midwest with below normal over the Rockies and Southeast. Temps are forecasted normal to above normal for the entire US, mostly above normal in the South.

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 $9.34 this past month and half. The first area of resistance now from $9.60 to $9.61 ½. MPLS wheat still showing an uptrend but this past week both KC and Chicago are back to trending steady to lower.

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