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Morning Ag Markets

Matt Hines

June fats led the charge higher and needed the expanded limits but deferred contracts stayed near unchanged and settled slightly lower. Feeders were also showing triple digit gains, which held into the close nearby but winter months were lower for the day. KS and NE traded up to $137.50 live, $4 to $5 higher than a week ago and $215 to $216 on a dressed basis which is $6 to $8 higher than a week ago. On Friday, NE traded up to $220 dressed, reported of course as a spot or nearby sale, but this was for delivery 3 weeks out!

NATIONAL FEEDER & STOCKER CATTLE SUMMARY – WEEK ENDING 06/02/2017

RECEIPTS:	Auctions	Direct	Video/Internet	Total
This Week	120,100	43,900	300	164,300
Last Week	163,500	38,500	9,400	211,400
Last Year	101,000	25,400	700	127,100

Compared to last week, steers and heifers sold 2.00 to 7.00 higher with some outliers called 9.00 to 11.00 higher on this holiday shortened week. Reduced receipts at auctions nationwide this week as many sales took the week off to celebrate the Memorial Day holiday. Auctions that did have sales were welcomed with some handsome prices. Many market watchers are wondering where the top of the market is. After last year when large losses occurred in the cattle feeding sector, financial institutions heavily suggested and in many cases insisted on a more stable price protection for cattle feeders. So, cattle feeders are now in a situation where more margin money has gone to Chicago than they would have ever thought. Fed cattle marketings were resilient this week as strong beef demand has kept packers in the hunt for current fed cattle. Packer profitability has been better than expected and helped improve cash prices after sliding the past couple weeks. Fewer cattle have been grading Choice and packers are willing to chase the market to get the higher quality grading animals. The Choice-Select spread reported at 28.36 on June 1, 2017 is at an all-time LMR record high. That value surpassed the previous record of 25.57 set on June 13, 2016.

For the week, Friday May 26th to Friday June 2nd, June Live Cattle +$8.87, August +$7.10, August Feeder Cattle +$11.77, September +$11.07, June Lean Hogs -$.60, July -$.07. Boxed Beef Choice -$.36 at $245.24, Select -$.39 at $218.06, Pork Carcass Cutout +$1.12 at $91.40.

Cattle slaughter from Friday is estimated at 116,000 head, up 2,000 from a week ago and up 2,000 compared to a year ago. For the holiday shortened week, 550,000 head, down 63,000 from the week previous but up 23,000 compared to a year ago.

Hog slaughter from Friday is estimated at 433,000 head, down 1,000 from a week ago but up 4,000 compared to a year ago. For the week, 1,972,000 head, down 220,000 from the week previous but up 75,000 compared to a year ago.

Boxed beef cutout values weak on Choice and higher on Select on light to moderate demand and moderate to heavy offerings for a total of 156 loads sold.
Choice Cutout__245.24 -.34, -.36 for the week
Select Cutout__218.06 +.84, -.39 for the week
CME Feeder Index:__149.80 +2.69
CME Lean Hog Index.__77.34 +.55
Pork Carcass Cutout__91.40 -.04
IA-S.MN Wtd Avg Carcass Base__74.27 -.38
National average Wtd Avg Carcass Base__72.98 -.42

June live cattle gapped higher Friday with only the contract high up at $134.55 from early May to take out before looking at the $140 area of resistance from the weekly charts. August feeders also into a new 3 week high with support at $145 and the contract high up at $163.50 a month ago. $165 would be the next area to test looking back to March of 2016. June lean hogs trading back and worth this past week but still trending sharply higher. We have seen just shy of a $15 rally since late April.
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The ongoing stories around the wheat markets are protein along with hot and dry conditions in the Northern Plains. HRW is being stressed as Spring wheat is only

starting to grow but as dry as it has been, there will be stress showing after this weekend. This should give wheat more support on breaks. We have already seen the MPLS/KC spread move into new highs, +1.55 to the MPLS to end last week. Nov of 2011 we saw the spread against KC move out to +2.50, yet the KC/Chicago remains very tight at only +2 to +5 to the KC.

Corn trade still choppy in a tight range. Minor short-covering was the theme in the row crops ahead of the weekend. This may be a familiar theme if funds continue to cling to a large short heading into summer weather. Corn sales are pulling back as South American orgins are the price leaders now. South Korea booked another 138,000 metric tons of corn for next year at $182.45/mt, which hints at a Brazil purchase. This is roughly $10-15/mt less than similar US pricings. Elsewhere, the primary concern of weather-watchers is China and the EU as both are in a hot and dry period.

Soybeans finished the week on a positive note after starting into a new low. Friday's support came on very light volume short covering with charts that have been oversold and due for a correction. Strong export sales data in addition to a new daily flash sale to Spain added support to the end the week. Brazil’s soybean crop production continues to climb, now as high as 115 MMT by some private estimates vs. USDA’s 111.6 and CONAB’s 113 MMT.

For the week, Friday May 26th to Friday June 2nd, July Corn -$.01 ½, December -$.01 ½, July Soybeans -$.05 ¼, November -$.03 ¾, July KC Wheat -$.04 ¼, September -$.03 ¾, July Chicago Wheat -$.08 ¾, September -$.07 ½.

Grain markets traded mixed overnight, MPLS wheat was the leader early but settled steady along with Chicago wheat and KC wheat 1 lower. Corn and soybeans finished 1 to 2 higher.

USDA reported a private sale of 120,000 MT or 4.4 MBU of Soybeans sold to unknown destination; half the volume for the 16/17 MY and the other half for the 17/18 MY

Later today, USDA will update crop progress and conditions. Look for corn planting to advance from 91% to around 95% while soybeans should advance from 52% to around 75% to 80% which is right at last year’s and the average pace.

Soybean conditions should be reported for the first time nationally in next week's report. Corn condition last year on this date were at 74% good to excellent vs. 71% average. Look for ratings to improve slightly from last week's 65% to 67% to 68% good to excellent.

Weather forecasts are looking favorable for the Midwest but above normal temps look to continue in the Northern Plains. There are only some scattered 1 to 2 inch rains expected this week for the Central Plains, and 1 to 3+ for the Southeast, East Coast and PNW. The latest 6-10 day outlook shows below normal precipitation for Plains and Midwest, above normal North and West. Temperatures are forecasted above normal East and below normal west of the Rockies now.

July corn stuck in the $3.65 to $3.75 range the past month and from $3.60 to $3.80 the past few months. The weekly chart continues to feature more of a positive vibe, though it also hints at $3.80-$3.82 July being a major problem spot. Should we erase this major resistance, we can start looking at upside price count objectives that hint at a July trade near $4.10. The December contract stuck in a trading range from $3.78 to $3.96. Breaking to the upside would lead next to test of the February high at $4.04.

July soybeans breaking the $9.30 support area now looking to test $9. The November contract looks similar breaking support at $9.40, the low from last August down at $9.03 ½ and resistance now up at $9.60.

July KC wheat with support at $4.20 and then the contact low down at $4.11 ¼. July Chicago wheat with support at $4.20 also and the contract low from mid-April at $4.16. Both are holding a sideways to slightly higher trend over this past month and half as MPLS spring wheat has taken out the recent highs from February, into new 11-month highs and looks to test $6.

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