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Morning Ag Markets

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Somewhat of a Turnaround Tuesday with livestock futures higher after a lower day Monday while the grains scratched out some small gains but mostly steady to lower for the day after the sharp rally on Monday. It took some time to build up buying enthusiasm, but in the end cattle futures finished triple digits higher.

Showlists are flat with last week's declines. Bids are showing at $120 and packers are quiet with little to no sales reported except a few dressed sales in Iowa at $190 and even less at $117 live. Sales volumes in the cash markets have declined for the past few weeks partly due to the increases in formula and forward purchased cattle.

Fed Cattle Exchange later today with 2,655 head consigned compared to last week’s 2,093 of which 429 head sold at $117.75 for 1-9 day delivery and at $117.25 for 17-30 day delivery.

Cattle slaughter from Tuesday is estimated at 120,000 head, up 2,000 from 2 weeks ago, of course higher than last week with Independence Day and up 5,000 compared to a year ago. Hog slaughter from Tuesday is estimated at 435,000 head, down 1,000 from two weeks ago but up 8,000 compared to a year ago.

Boxed beef cutout values sharply lower on light demand and moderate offerings for a total of 139 loads sold.
Choice Cutout__215.24 -2.30
Select Cutout__200.51 -2.16
CME Feeder Index:__149.16 -.82
CME Lean Hog Index.__92.59 +.13
Pork Carcass Cutout__105.26 +.33
IA-S.MN Wtd Avg Carcass Base__87.72 +.07
National average Wtd Avg Carcass Base__86.87 +.36

Cattle futures have traded mostly sideways the past month after a sharp sell off the first half of June when highs were tested back from early May but unable to be taken out leaving a double top on most charts. August live cattle have support at $113 with multiple levels of resistance from $116 to $119.50. August feeders with support around $141 and resistance at $150. October and November contracts are showing a slight uptrend since the recent lows on June 20th. August lean hogs are completely opposite with a double bottom just below $77 back in June that resulted in a bounce into a new contract high on July 5th at $85.37. We have found support the past couple sessions at the 10-day moving average now at $82.15 which also matches up well with the previous highs in May and June.
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Over in the grains, the turnaround was steady to lower. Crop conditions were lowered as expected Monday afternoon and the overnight did flash higher at the open but by midnight the fade began and by the time the European futures open the red ink was flowing. Corn conditions nationally dropped 3 points in the good to excellent categories to 65% compared to 76% at this time a year ago. NE showed the biggest decline, down 7 followed by SD down 5 points. Soybeans were dropped 3 points to 62% good to excellent compared to 71% last year and spring wheat down another 2 points to 35% good to excellent, now half of last year's.

The forecasts don't look any less threatening, especially in the Plains and Western Corn Belt. Good rains, some even excessive, have hit the Eastern Corn Belt so far this week. Yesterday looked more like a profit taking and position squaring day ahead of today's USDA monthly supply and demand report.

Ahead of today's USDA crop report, Brazil's CONAB released their July Crop Report yesterday with the following production estimates…
16/17 Soybean crop at 113.92 MMT vs prior month 113.92 MMT
16/17 Total Corn crop at 96.0 MMT vs prior month 93.83 MMT
16/17 Second Season Corn crop at 65.6 MMT vs prior month 63.5 MMT
2017 Wheat crop at 5.6 MMT vs prior month 5.2 MMT
2017 Cotton crop at 1.484 MMT vs prior month 1.48 MMT

The average trade estimates for today's USDA supply and demand crop report are as follows…
US soybean production is expected to be at 4.243 BBU on a 47.9 yield vs. 4.255 on a 48.0 yield last month. Ending stocks are estimated at 430 MBU in old crop

vs. 450 MBU last month and 473 MBU vs. 495 MBU in new crop. World stocks are estimated at 93.12 MMT old crop and 92.14 MMT new crop.

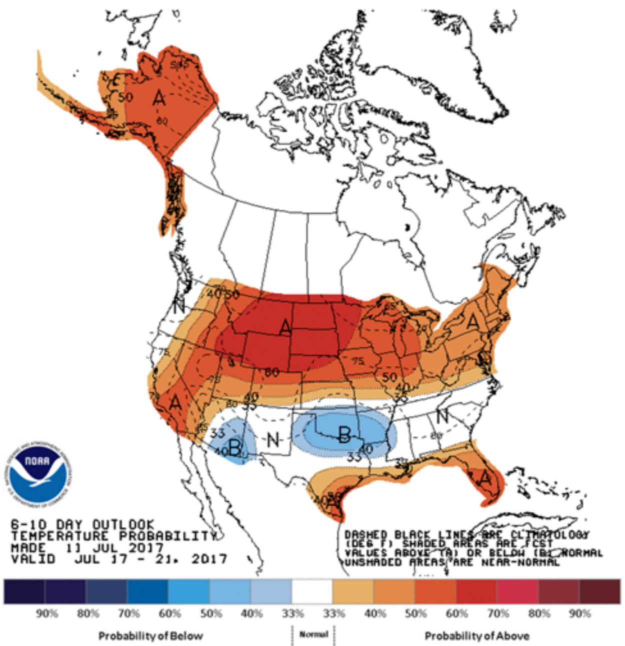
The average guess for US spring wheat production is around 416 MBU vs. 448 MBU in June, but some traders are already penciling in a sub 350 MBU crop. Durum wheat production in June was pegged at 126 MBU, but that crop is toast and everyone knows it. The avg guess now is around 78 MBU. Do not be surprised if we see minor increases in some other production numbers, similar to what we saw last month. Yields are good, and the crop is mostly a quality issue, yet there are some problems in the western belt. The SRW crop seems to be in better shape than the HRW crop, but time will tell. The average guess for total winter wheat production is around 10 MBU above June's 1.250 BBU. The avg guess for HRW wheat is 745 MBU vs 743 in June. The avg guess for SRW wheat is 303 MBU vs. 298 in June. The avg guess for White winter wheat is 210 MBU vs. 209 in June. Expectations for 2017/18 ending stocks is expected to be around 875 MBU vs. the 924 MBU in the June report.

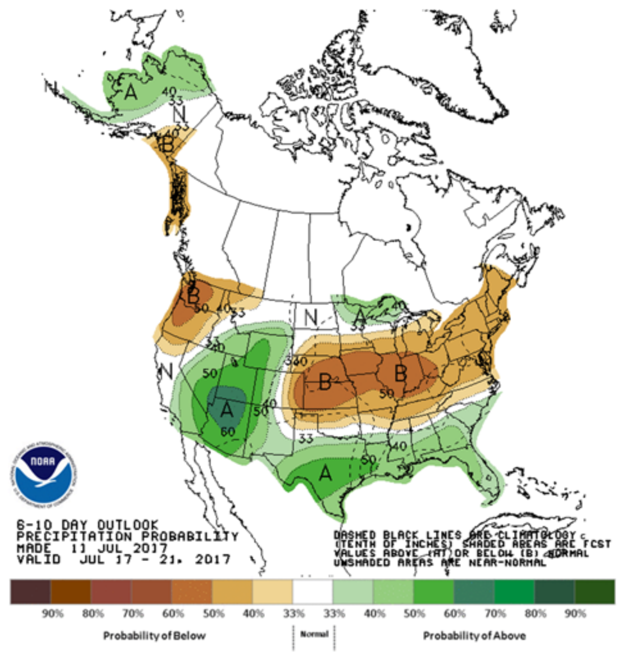
2017 US corn production expected to come in at 14.13 BBU vs. 14.065 BBU in the June report, due to the increase in acreage, with yield estimates at 169.6 BPA versus 170.7 in the June report. Old crop stocks are expected to come in at 2.32 BBU vs. 2.295 a month ago and new crop at 2.18 BBU vs. 2.11 BBU. The world outlook could be unchanged with increases in South America offset by reductions in the EU and Ukraine.

Grains were lower overnight but I don’t see any changes in the extending forecasts that would pressure prices. Most likely still some position squaring ahead of today’s report. Corn finished 5 lower, soybeans 7 to 9 lower and wheat 5 to 6 lower.

September corn reached a new high yesterday at $4.04 ¾ and trying to hold support at $3.95. The next area of resistance is up at $4.39 which was the highs from June of last year. The December contract also into a new recent high at $4.17 ¼, $4.20 and then $4.50 would be the next targets. August soybeans have rallied over a $1 since June 23rd finding some resistance around $10.30 and also leaving 2 sizable gaps below. November soybeans have rallied sharply as well, into new recent highs, resistance at $10.45 with support at $10.20. Wheat has stalled out this week with little price movement compared to the past few. The weekly KC wheat chart shows resistance up in the $5.90 area, the highs back from early 2015. Chicago wheat hit resistance at $5.50 last week, the next up at $6. MPLS reached above $8 last week but quickly reversed lower, getting back above that level will be the key for extending the rally this week.

The only rain forecasted over the next 7 days comes in the first 3 with 1 to 2 inches expected from CO stretching through the Corn Belt and into New England. The 6-10 day and 8-14 day outlooks produced yesterday afternoon actually look a bit worse than previously with above normal temps centered on the Northern Plains covering the northern half of the U.S. and below normal precipitation covering the entire Midwest.





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