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Morning Ag Markets

Matt Hines

Cattle were under pressure Friday and for most of last week. It started with the limit down moves from yet another bearish cattle on feed report for the previous Friday. Monday after the close a friendly cold storage report helped stabilized futures. Then midweek cash feedlot trade from $117 to $118 live, $2 to $3 lower than the week previous, and $187 to $190 dressed trade. $1 to $3 lower.

Japan announced U.S. beef imports had reached the trigger level and additional imports of frozen beef from the U.S. will be burdened with a 50% tariff. Japan is the largest importer of American beef and this year has witnessed large and healthy purchases of American beef. The tariffs will now move from 38% to 50% reminding the U.S. that under the rejected TransPacific Trade agreement these tariffs would have not applied reflecting the fact that a bi-lateral agreement needs to occur to correct this trade impediment. Foreign trade will be critical to domestic prices for a growing U.S. cattle herd.

NATIONAL FEEDER & STOCKER CATTLE SUMMARY – W/E 07/28/2017

RECEIPTS:	Auctions	Direct	Video/Internet	Total
This Week	116,800	40,600	94,300	251,700
Last Week	121,300	67,100	234,900	423,300
Last Year	115,500	52,900	147,700	316,100

Compared to last week, steer and heifer calves sold uneven from 4.00 lower to 4.00 higher on a light run. Yearling steers and heifers sold mostly steady to 8.00 lower, with some late sales trading 4.00-6.00 higher. With more cattle coming in the supply chain in the months ahead, order buyers have re-adjusted their bids on cattle purchases. Receipts were light in the major sale barns as cattle producers sat on the sidelines and waited to see how the market would react to the negative news. The extreme hot temperatures early on also kept producers from moving cattle. In the north where feeder farmer demand is good, prices continue to trade at higher levels than any other part of the country.

For the week, Friday July 21st to Friday July 28th, August Live Cattle -$3.52, October -$4.97, August Feeder Cattle -$6.90, September -$6.05, August Lean Hogs +$.30, October -$.72. Boxed Beef Choice -$.69 at $206.22, Select +$2.02 at $196.82, Pork Carcass Cutout -$5.73 at $98.75.

Cattle slaughter from Friday is estimated at 115,000 head, matching the previous Friday and up 4,000 compared to a year ago. For the week, 627,000 head, up 5,000 from the week previous and up 47,000 compared to a year ago.

Hog slaughter from Friday is estimated at 432,000 head, up 6,000 from a week ago and up 39,000 compared to a year ago. For the week, 2,239,000 head, up 26,000 from the week previous and up 47,000 compared to a year ago.

Boxed beef cutout values steady on light to moderate demand and offerings for a total of 94 loads sold.
Choice Cutout__206.22 -.21
Select Cutout__196.82 +.16
CME Feeder Index:__149.36 -1.94
CME Lean Hog Index.__88.75 -.64
Pork Carcass Cutout__98.75 -1.19
IA-S.MN Wtd Avg Carcass Base__81.41 -1.39
National average Wtd Avg Carcass Base__80.98 -1.03

August live cattle down to a new recent low breaking the $112.42 low from earlier this month. There's some hope this week we can hold the $112 support, if not the next price target looks like the $106 area with resistance up around $118. August feeders holding the $145 support level last week with the next down at $140 and resistance up at $150 then $155. August lean hogs have been consolidating in price recently trading a $3 range from roughly $80 to $83 with strong support just below $78 which was tested four times back in June.
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Over in the grains, small gains held on Friday but week over week still lower. The early part of last week saw grain futures sharply lower as forecasts were calling for soaking rains across the Midwest and cooler temperatures long term. Temps heated up actually for the first part of the week and storms were very isolated with less coverage than expected over the WCB. Extended forecasts still look dry with

normal temps for the Midwest and continued above normal temps for the Northern Plains.

Volume was very light for futures, corn posting the lightest July trading day in over 3 years. It appears the market is somewhat satisfied holding near these current levels with weather forecasts not very threatening moving forward but enough problem areas helping support.

The headline of the day on Friday was the federal court's decision to reject the EPA's limits on biofuels from 2015 forward that set blending limits below the goals originally set by Congress with the Renewable Fuel Standard. The EPA's restricted targets on biofuels and the reasoning for them were not legal in the first place. Overall this could be positive for both corn and soy oil. The only way they can really increase the advanced bio usage in the short-run is through more biodiesel blending and possibly force a rapid adoption of E-15.

For the week, Friday July 21st to Friday July 28th, September Corn -$.05 ½, December -$.05 ½, August Soybeans -$.08 ¼, November -$.09 ¼, September KC Wheat -$.15, December -$.14 ½, September Chicago Wheat unchanged, December -$.02 ¼, September MPLS Wheat -$.25 ¾, December -$.22 ½.

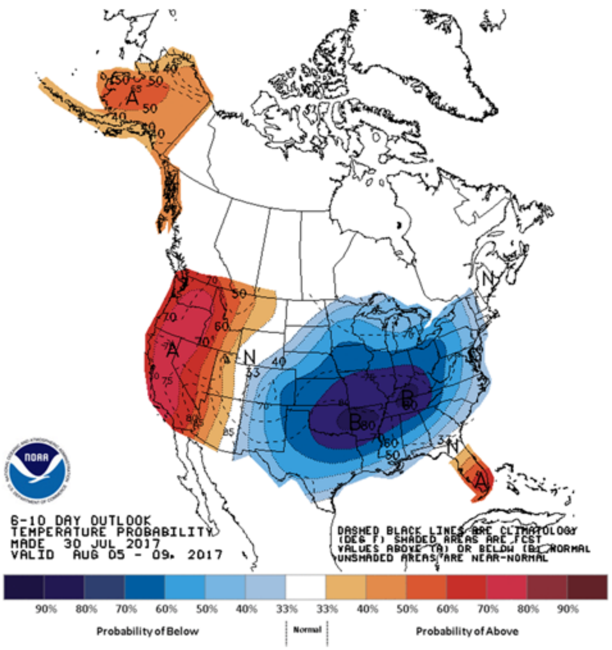
Grains were lower overnight. 3 consecutive days steady to higher for corn and soybeans to end last week brought some profit taking in as we are at month end. There is also some rain chances coming into the forecasts this week that were not present in last week’s models. Soybeans finished 12 to 14 lower, corn 5 lower and wheat 3 to 6 lower.

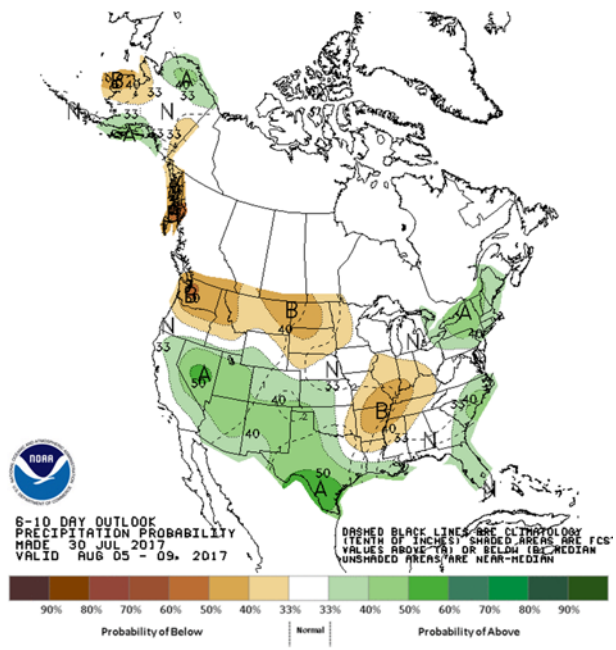
USDA announced a private sale of 150,000 MT or 5.9 MBU of new crop corn sold to Colombia.

Crop conditions will be released later this this afternoon with a range of +2 to -2 on both corn and soybeans. I except conditions to remain unchanged but the key will be state by state and more specifically how is IA after this past week.

Corn gapped lower overnight just like a week ago with support for the September contract at $3.65 and resistance at $3.80. The December contract looks similar just a dime higher with support at $3.75 and resistance at $3.90. August soybeans with support next at $9.75 and then a gap remains down from $9.50 to $9.55. November with support at $9.84 and a gap from $9.58 to $9.63. September KC wheat stabilizing after the 3 week slide lower, support at $4.72 and resistance at $4.92. September Chicago wheat with support at $4.73 and resistance at $4.95. September MPLS wheat the only still holding the uptrend from mid-May with support at $7.12 and resistance at $7.64.

The 7 day precipitation accumulation map issued this morning shows 2-4 inches in the SE, 2-3 in SW stretching North for 1+ in the Northern Plains and then 1-4 from MN into New England leaving most of the Midwest/Corn Belt at less than inch over this next week. The 6-10 day outlook continues to show below normal temps for the eastern 2/3 of the U.S. with above normal on the West Coast and normal to below normal precipitation for the Northern Plains and all Corn Belt.





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