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Morning Ag Markets

Pete Loewen

It was a solid day of green to start the week for the cattle complex and solid red ink for the hogs. Solid, meaning triple digit gains in the cattle and triple digit losses for hogs. Friday afternoon we had a somewhat bullish On Feed report. Bearish in the big picture, but bullish from the standpoint Placements and the On Feed total both came in below the pre-report guesses. The total inventory came in at 104% versus estimates of 104.5%. Placements last month were up 3% from last year and the guesses heading into the report were looking for a 6% increase. Both of those items warranted friendly reaction, but balancing out the bullishness some was a marketing total that was ½ point shy of the expectations at 104%.

While some were attributing the sharp rally in futures to that report reaction, I would side with giving more credit to positive technical developments that sparked a speculative driven turnaround late last week that just extended into yesterday's trade. The front month August live cattle hit the 62% retracement level right on the nose and turned around last week. October narrowly missed its objective at the same retracement level and turned up. The market was way overripe for a bounce and now we're seeing it.

The longer term fundamental trend in cattle is still bearish. Expansion is underway. On Feed numbers are increasing and will continue that trend. There have been five consecutive months of increased in-movement into feedlots, four of those with double digit year over year increases. We have also seen beef processors severely cutting product values in an attempt to keep the pipeline flowing and move product.

Despite that longer term picture, short term there are some positives that are helping the bounce; technicals, friendly on feed numbers versus the expectations at least, a big hope that Labor Day beef clearance will warrant active restocking, plus the simple fact the cattle market had become grossly oversold. Just be cautious not to start thinking we're facing a prolonged bullish potential.

Cattle slg.___ 116,000 -2k wa +4k ya

Choice Cutout__191.50 +.18

Select Cutout___188.62 +.32

Feeder Index:___142.61 --.63

Lean Index.__ 76.76 -1.47

Pork cutout___86.10 -.31

IA-S.MN direct avg__65.90 -1.05

Hog slg.___ 449,000 +24k wa +21k ya

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Grain and oilseed trade was ugly yesterday. While nothing was actively lower, the closes were solid red across everything, with wheat being the weakest. When you look at the flow of news events for the fall crop markets in recent weeks, every round of bullish expectations have been met with disappointment. A lot of folks were hoping for a sharp cut in US corn and soybean yields in the August crop report and didn't get it. All those forecasts last spring for miserable August weather were met with cooler than normal temps and nothing too bad on the precip end of things. The big crop tour last week also came in higher than some had hoped, basically squashing hopes once again in a rally. Two days ago we started to see early September forecasts calling for an arctic air mass to dig deep into the Corn Belt and the bullish hopeful news flow once again hit the press. The problem is, the market is showing absolutely no sign of responding to any of this potential. It's a solid stream of internet, tv and radio banter about this big cold event and once again last night, nothing but red ink across the screen in the grain markets.

Export inspections yesterday morning were somewhat friendly. Corn was 31.7 mln bushels, soybeans 26.3 mln and wheat 24.6 mln bushels. With one week to go, corn shipments only need to be 16.9 mln to hit USDA's target for the year. That one should be a ringer. Soybeans on the other hand, need 53.7 mln bushels in shipments to hit the target. That probably won't happen. Milo has already exceeded USDA's target by 7.7 mln bushels and that's good!

Egypt tendered for wheat yesterday, their first tender in two weeks. Their last purchase was 355k mt's and all of it was Black Sea origin. FOB values are about 17 cents/bushel lower than two weeks ago now and the US isn't even close to being competitive in the market.

Crop progress and condition numbers that came out yesterday afternoon showed corn conditions unchanged from the previous week at 62% g/ex and 12% p/vp. Last year at the same time those numbers were 75% g/ex and 7% p/vp. The biggest gainer this week was South Dakota improving 6 points to 48% g/ex. In the big four states Minnesota conditions were unchanged, Nebraska was unchanged, Illinois dropped 2 points and Iowa dropped 1 point out of g/ex.

Soybean condition ratings got 1 point better, moving to 61% g/ex and 11% p/vp. Last year they were 73% g/ex and 7% p/vp. South Dakota beans improved 7 points up to 49% g/ex. Illinois was down 3 points, Iowa up 2 points and Minnesota was down 2.

8a.m. export reporting showed two flash sales today. 226k mt's of new crop US corn was sold to Mexico and 198k mt's of new crop beans reported to China.

6-10's last night were showing normal to above temps from the High Plains west. The rest of the Plains and Corn Belt were below normal temps. Precip was above normal for the far south and the eastern Corn Belt and below normal for the balance of the Plains and rest of the Corn Belt. Colder than normal and dry.

On a final note, the Great Tin Can Harvest of 2017 has started as elevators with corn on DP from last fall are forcing sales in some instances instead of carrying those contracts into new crop. On farm stored corn is also getting wheels under it, making room for the soon to come new crop. There is some of this occurring in beans as well, but not to the extent of the volume in corn. Hard to make a market go higher when the old crop movement has renewed activity.

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