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Morning Ag Markets

Pete Loewen

It was a fairly quiet close in the meat complex on Monday, although there were some interesting developments happening in cattle that I think were pretty friendly. Friday's negotiated cash feedlot trade was bullish with Southern Plains trade gaining \$1 over the previous week at \$109. Trade in the north gained \$2, up to \$110. Yesterday there was scattered talk of some more trade in the north with both \$109 and \$110 reported. I'm not sure if that's actual confirmed trade or rumor, but it was from what I'd consider a fairly reliable source. That's good news for a market that's facing an uphill battle from growing year-over-year available supplies, as well as monster production totals in the pork and poultry sectors.

A factor that continues to concern me in cattle though is the combination of negative basis, as well as big premiums in the deferred futures contracts. October Live Cattle closed at \$111.02 on Friday and top end of the cash trade was \$110, making the best case scenario a -\$1.02 basis on hedged cattle. Past the negative basis is steep premiums in all the deferred futures contracts. December live cattle closed \$5.50 higher than October and February futures were \$9.73 higher than October. Premium deferred futures and negative basis historically have been big contributing factors in overfeeding of cattle and carcass weights increasing along with currentness decreasing. Add to that equation a lot of cheap corn and weak corn basis in the Corn Belt and the increased chance of a whole bunch of overfed cattle hitting the market next spring from farmer feeders is increasing as well.

Cattle slg. ___115,000 +9k wa +1k ya
Choice Cutout__198.13 +.91
Select Cutout__188.66 +1.43
Feeder Index:___155.35 -.22
Lean Index.___56.42 +.65
Pork cutout___73.54 +.93
IA-S.MN direct avg___ 54.47 +.73

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Hog slg.____ 463,000 +21k wa +81k ya

Grain and oilseed trade finished pretty flat in corn and Minneapolis wheat, but soybeans and the rest of the wheat complex were a nickel or more lower at the close. With Monday being Columbus Day and a government holiday, export inspections and crop progress numbers were not reported and were delayed until today. That left the news flow focused on the upcoming crop production report this Thursday, as well as the continuous flow of yield reports coming out of the Corn Belt. For the most part, those yield reports have provided a bearish undertone for both corn and soybeans. The theme has been “better than expected” in most areas, but also “not quite as good as last year”.

October Crop Production report expectations have an average corn yield guess of 170.1 bu/ac versus the September report number of 169.9. Soybean average estimates are 50 bu/ac compared to 49.9 last month. Ending stocks guesses have corn at 2.289 bln bushels and soybeans at 447 mln. Those estimates are bearish. World ending stocks estimates are slightly lower than last month in all three crops between corn, soybeans and wheat.

8 a.m. export reporting showed 131,000 metric tonnes of US soybeans sold to China.

Egypt tendered for November delivery wheat yesterday. Their last tender was filled solely with Russian wheat. There’s very high odds this one will be filled exclusively with Black Sea origin wheat as well. US wheat still isn’t competitive in most of the world export markets.

6-10’s last night showed above normal temperatures in all of the Plains and Corn Belt. Precip was normal to below normal in the Plains and above normal in the Central and Eastern Corn Belt.

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