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Morning Ag Markets

Pete Loewen

Interesting day of trade in the cattle complex following Friday's big, bearish COF report data. The bear news came from an On Feed total that was ½ point bigger than the average trade guess at 105% of a year ago. That increase was generated by a Placement total last month that was 13% bigger than last year, almost twice the increase from what was projected in the trade estimates. The initial reaction at the open was sharply lower prices with fats and feeders trading triple digits lower. That negative reaction didn't last long though, because the rest of the day was spent slowly creeping up towards unchanged and several of the live cattle contracts even closed higher on the day.

There were some conflicting forces pulling in the opposite direction of the bears reacting to the report numbers. Cash feedlot trade from Friday remained steady with the previous week at \$111 in the Southern Plains, up to a \$112 top in Nebraska. That \$112 number was up \$1 from last week. Dressed trade in the north was steady as well at \$175. Steady was a victory in my opinion, especially considering the FCE trade midweek was down in the \$109 range.

Yesterday afternoon we got monthly Cold Storage report data released. Those numbers had a friendly undertone in the year over year changes for pork and beef, but not poultry. There were monthly increases in freezer supplies of all three meats between poultry, pork and beef. The year to year changes showed frozen beef down 6% from last year at the same time, frozen pork off 4% from last year and total frozen poultry up 8% from a year ago. Given record pork production right now, along with much larger beef production compared to last year, the report should be viewed as friendly.

Cattle slg. ___115,000 +5k wa +3k ya

Choice Cutout__199.25 -.61

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Select Cutout___191.05 -.09

Feeder Index:___154.69 -.10

Lean Index.___ 65.23 +1.02

Pork cutout___75.80 +.30

IA-S.MN direct avg___ 64.98 -.23

Hog slg.___ 483,000 +27k wa +41k ya

The grain and oilseed complex showed nice gains across the board in everything yesterday. Searching for fundamental reasoning behind the rally was a futile effort though, because nothing matched up with the action in the market. Export inspections came out midmorning showing really bearish corn and wheat loadings, but bullish soybeans. Wheat led the rally, corn was strong and soybeans finished the day only mildly higher. Bullish bean shipments and bearish the other two and beans were the doggy commodity on the rally... Monday's estimated fund activity explains some of that action though, because they were reported buyers of 15000 corn, 4000 beans and 7000 wheat.

Actual wheat shipments were 6.2 mln bushels, not even able to hit the double digit mark. Total shipped to date is still close to last year though with 397 mln bushels loaded versus 415 mln last year on the same date. Corn shipments were 24.2 mln bushels and that was almost double last week's number, but cumulative shipments are just 54% of what they were last year on the same date. Milo cumulative loadings are behind year ago totals as well with 18 mln to date versus 23 mln last year. In the soybeans, export inspections hit 94.2 mln bushels, up from 65 mln last week. Year to date inspections are 361 mln bushels, which is down 7.7% from last year.

USDA in the S&D tables has corn exports for this marketing year projected to be down 20% from last year. Once again, the shipment pace is 45% under last year. Soybeans are supposed to end up 3.5% higher than last year and we're 7.7% lower right now. Big picture, both are a little bearish at the moment, but corn is a lot more bearish than beans. The wheat pace is what I'd consider neutral at the moment.

Crop progress and condition data showed the harvest pace at 38% complete in corn, up 10% from last week, but 21% under the normal pace for this time of year. Corn condition ratings improved 1 point up to 66% g/ex. Last year it was 74% g/ex on this date. Soybean harvest is now 70% done, up 21 points from last week and only 3% behind the normal pace. There were no condition ratings released for the beans. Total winter wheat seedings gained 15 points to

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75% complete and that's 5 points behind the normal pace. In the HRW wheat states, Kansas was 67% done versus 86% normal, Oklahoma was 72% versus 85% normally, Texas was 70%, which is right at their normal pace, Colorado was 95% versus 97% normally and Nebraska 94% versus 98% normally. Definitely time for some bullish concern regarding the pace in Kansas. Wet conditions are never a bad thing in HRW wheat country, but getting the crop in late definitely tames some of that bearishness and also raises some concern over whether some of those acres will even get planted.

Technical analysis of yesterday's markets showed neutral soybean action, but bullish key reversals in corn, KC and Chicago wheat markets. That pegs yesterday's lows as key support for corn and wheat and for the time being is going to be viewed as the hard lows in the markets.

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