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Morning Ag Markets

Pete Loewen

Momentum in the cash markets for cattle is still on fire to the upside. Select cutouts were a penny away from \$3 higher yesterday afternoon. Cash feedlot trade is up \$14 in two weeks. Feeder cattle prices are solidly higher as well with positive closeouts and cheap corn pushing replacement bids up sharply. That cheap corn also has farmer/feeders pushing northern markets hard with Corn Belt harvest winding down. September export data has been released and it showed a 2% growth in beef export trade by volume. Coupled with weekly export sales numbers through October that were solid, we'll see year over year growth in that month as well.

One key factor to keep in mind regarding the bullishness of the cattle market right now, as well as the bullishness in hogs for the month of October, supplies of all three meats between poultry, pork and beef have been rising and will continue to rise for the foreseeable future. Bigger supply means the need to constantly expand demand at a rate equal to the increase in supply or preferably even greater. Bigger demand means the potential for higher price. Without that expansion in demand, there's only one way to clear bigger supply and that's through lower prices. I've been pleasantly surprised with the upward movement in price, especially with the velocity we've had to the upside in cattle. Problem is, I also have strong doubts that it is sustainable.

Cattle slg. ___118,000 +1k wa +2k ya

Choice Cutout __212.64 +2.07

Select Cutout ___197.76 +2.99

Feeder Index: ___159.04 -.42

Lean Index. __ 68.66 -.29

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Pork cutout___81.04 +.79

IA-S.MN direct avg___ 60.18 -1.04

Hog slg.____ 460,000 -5k wa +15k ya

With soybean harvest listed at 90% complete and corn at 70% in Monday's crop progress report, the grain complex is very quickly moving towards the winter market doldrums. That means the daily news consists of South American weather and daily export hopes as market moving potentials. This week though, we also get monthly Crop Production and S&D data to digest in tomorrow morning's report.

8 am export reporting showed no new sales, but Egypt posted a wheat tender yesterday that's worthy of discussion. Egypt has been very active in wheat imports and to date, everything has come almost exclusively from Black Sea origin countries. There were 14 offers posted to yesterday's tender and 11 of those offers were Russian origin. US wheat still isn't competitive into that market. Egypt's last purchase was 230k mt's of Russian wheat that happened 2 ½ weeks ago.

Tomorrow morning at 11 a.m. is the November crop report. The average estimates show corn yield at 172.3 bu/ac, which would be up .5 bushels from October. Soybean yield is pegged at 49.2 bu/ac and that would be down .3 from October. Production is expected to increase 43 mln bushels in corn and drop decline 23 mln in beans. Milo production is pegged at 368 mln bushels, which would be up 4 mln from last month, but 112 mln lower than last year.

Average analyst estimates for the US ending stocks figures have corn up 20 mln bushels from last month at 2.360 bln bushels. Soybeans are expected to decrease 10 mln to 420 mln bushels. Wheat ending stocks are pegged at 956 mln bushels, which is down 4 mln bushels from last month. Looking at the big picture from these ending stocks numbers, corn and soybean carryout is up big from last year and wheat is down over 100 mln bushels. Ironically, our milo crop is projected to be down around 20% from last year, but ending stocks are only expected to drop 4 mln bushels.

This November report will be the last yield numbers for corn and soybeans until the January final production numbers. There is a report in December, but only S&D numbers are updated, not production.

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USDA Grains Reports Preview 11/08 06:00

U.S. CROP PRODUCTION (Million Bushels) 2017-18

	Nov	Avg	Hi gh	Low	Oct	2016- 17
Corn		14, 323	14, 459	14, 127	14, 280	15, 148
Soybeans		4, 404	4, 467	4, 340	4, 431	4, 296
Grai n Sorghum		368	372	364	364	480

U.S. AVERAGE YIELD (Bushels Per Acre) 2017-18

	Nov	Avg	Hi gh	Low	Oct	2016- 17
Corn		172. 3	174. 0	170. 0	171. 8	174. 6
Soybeans		49. 2	49. 9	48. 5	49. 5	52. 0

U.S. HARVESTED ACRES (Million) 2017-18

	Nov	Avg	Hi gh	Low	Oct	2016- 17
Corn		83. 1	83. 5	83. 1	83. 1	86. 7
Soybeans		89. 4	89. 5	88. 5	89. 5	82. 7

U.S. ENDING STOCKS (Million Bushels) 2017-18

	Nov	Avg	Hi gh	Low	Oct	2016- 17
Corn		2, 360	2, 431	2, 212	2, 340	2, 295
Soybeans		420	461	340	430	301
Grai n Sorghum		30	32	26	28	34
Wheat		956	987	940	960	1, 181

WORLD ENDING STOCKS (Million Metric Tons) 2017-18

	Nov	Avg	Hi gh	Low	Oct	2016- 17
Corn		201. 0	203. 5	197. 6	201. 0	227. 0
Soybeans		95. 5	97. 0	93. 0	96. 1	94. 9
Wheat		266. 9	269. 2	261. 0	268. 1	256. 6

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