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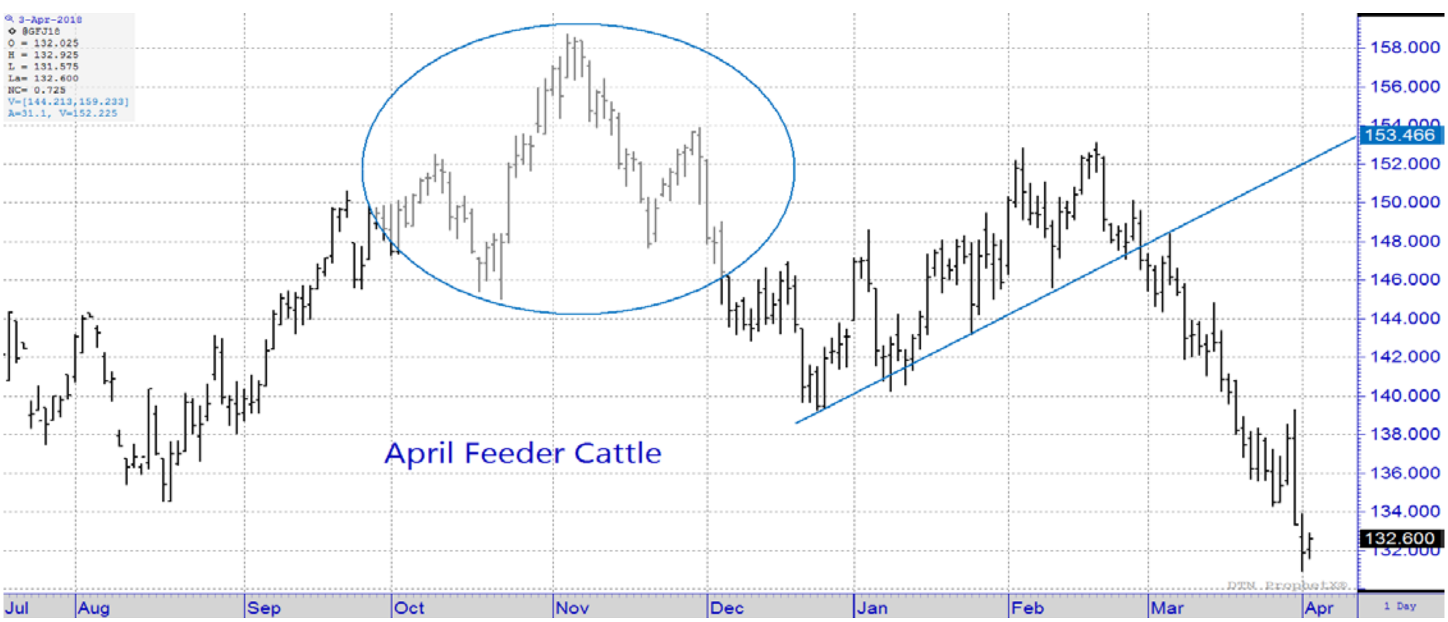
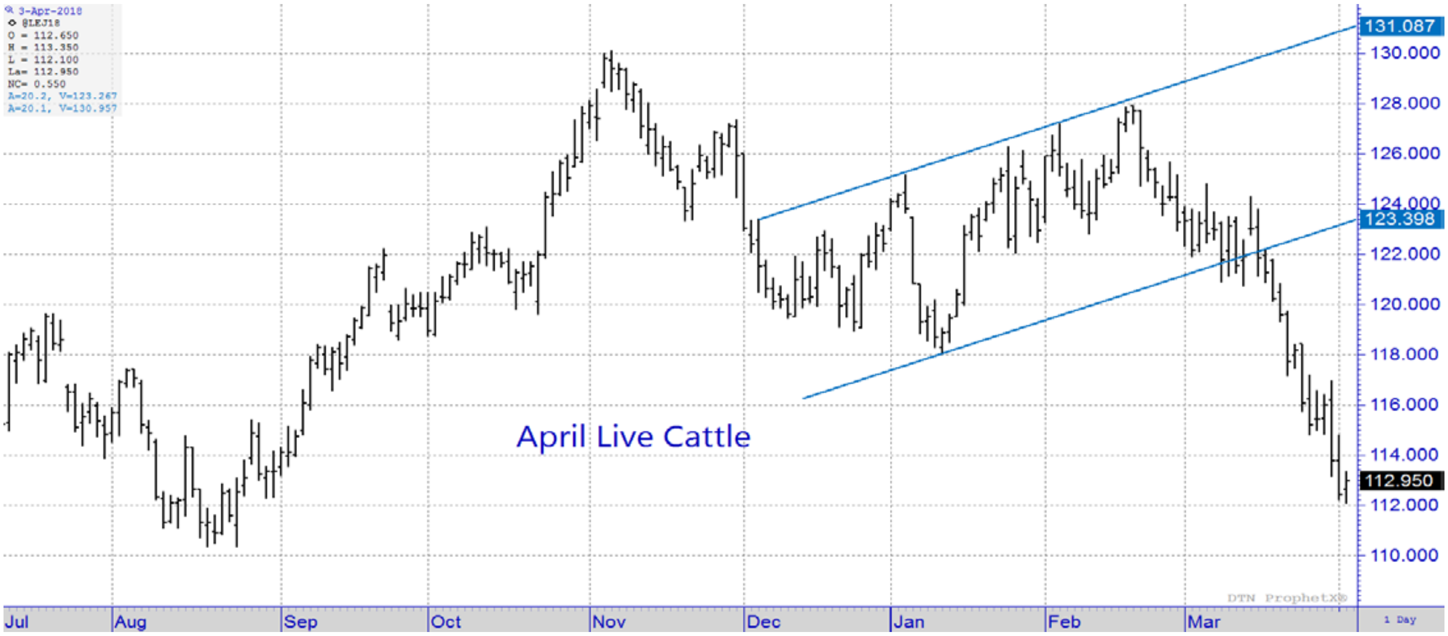
Morning Ag Markets

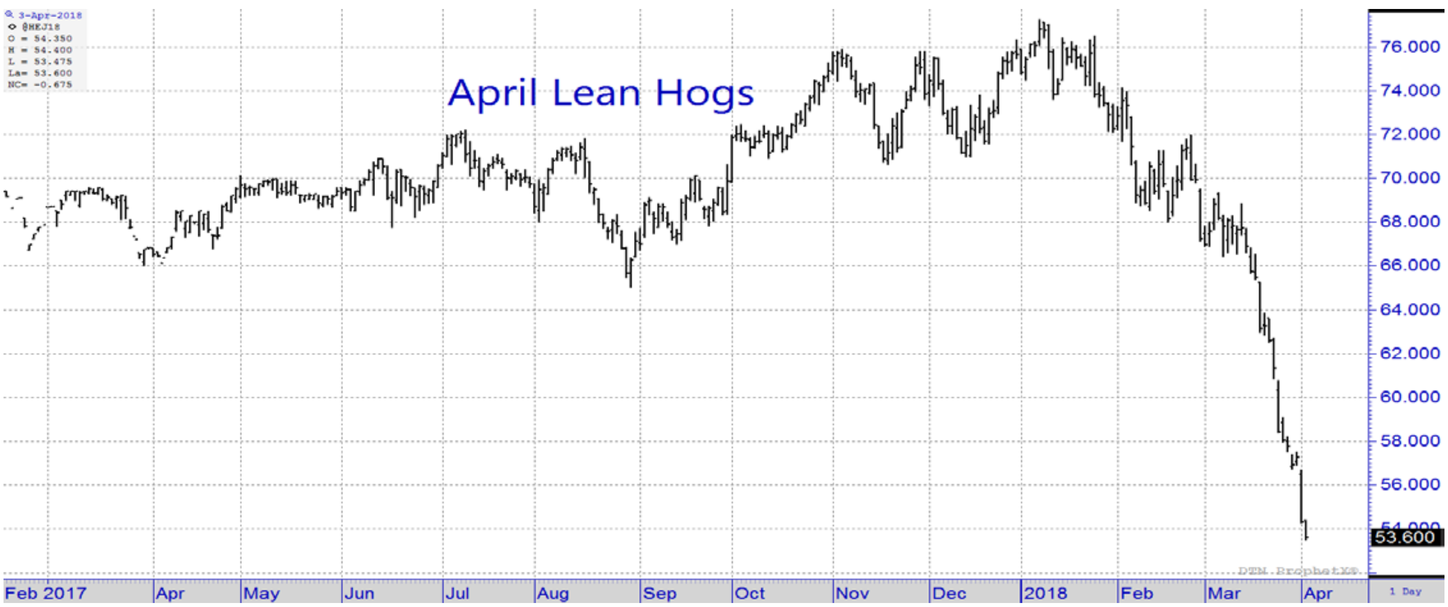
Pete Loewen

Cattle complex futures got pummeled on Thursday, which was the last trading day last week before the holiday and they got pummeled again yesterday as well. It probably didn't help much that there was a bearish hog and pig report from Thursday thrown into that mix as well. Market hog numbers were reported at 3% larger than year ago levels, which was a record for the March report. Throw in a cattle on feed total that's up 9% from last year and steady expansion in poultry numbers and the handwriting was on the wall that at some point price action was going to get nasty across all those markets.

From the February high to yesterday's low, April feeders were down over $22/cwt., April live cattle were down $15.75 and April lean hogs are down $23 since January. Those that were touting demand as the savior of the market hadn't taken into account the supply side situation that yielded production totals that demand couldn't keep up with very well. When that happens, price goes down.







Odds are though, none of these markets are down for the count. The meat complex has done a great job of over-exerting itself to the extremes quite a few times over the last 5-6 years. It went way beyond fundamental logic to the upside in cattle into 2014, well beyond bearish fundamental logic into 2016 and this has been a pretty tough slide as well. For cattle though, this slide has been led by futures. Cash and product have been much slower to respond.

Cattle slg.___102,000 -15k wa -5k ya

Choice Cutout__219.80 -1.24

Select Cutout___210.50 +1.81

Feeder Index:___135.06 -.66

Lean Index.__ 56.72 -1.32

Pork cutout___71.16 +.54

IA-S.MN direct avg__47.09 -1.40

Hog slg.___ 318,000 -140k wa   -126k ya

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There's an old saying that day #2 following a big report is more important than the market action on the day of the report, but yesterday that made very little rational sense in the fall crop markets of corn and soybeans. The market got a major shock last week in the Prospective Plantings report that showed corn acres 1.3 mln below the trade guess and 2.2 mln acres under last year's final plantings. Even more shocking was the soybean number where expectations of an 800,000 acre increase from last year were met with a 2.1 mln acre decrease that was 1.9 mln under the average trade guess. On Thursday that catapulted corn and soybeans higher. Yesterday they closed disappointingly lower.

We need to keep in mind, Prospective Plantings are only the first stab at acreage potential and the function of the futures market is to entice acres away from crops that have a surplus into crops that need more. The report showed we may very well need more corn and soybeans planted and less spring and durum wheat. New crop MGEX wheat dropped below $6 post-report and corn and beans surging higher is certainly accomplishing the task or creating some switches in the Northern Plains for planting intentions. It also helps trim a few wheat seedings up there from the snow and cold weather gripping the Plains states over the last week. It's going to be awhile before things thaw out. The longer that lasts, the better chances we'll see more acres going to row crop and away from spring or durum wheat.

Weekly export inspections data showed 13.3 mln bushels of wheat loaded for export, which was a little bearish. Cumulative loadings are down 9% from last year with the USDA projection for a 12% decline. It's good that we're keeping a pace that's more than what's needed to hit that target, but ending stocks for old crop are still on the north side of 1 bln and that's very bearish for old crop in the macro picture.

Corn inspections were neutral at 53.1 mln bushels versus 58.6 on the same week last year. For the marketing year so far, total shipments are still down 27% from last year and USDA's projection is for a 3% decrease in exports. That picture is bearish. Actual sales data continues to be friendly, but unless this shipment pace picks up, we're not going to hit the target. Shipments are much more important to watch than sales.

In soybeans, export loadings were 19.9 mln bushels versus 23.1 on the same week last year. Cumulative shipments are down 12% compared to a USDA forecast for a 5% decline versus last year. That makes the soybean picture a little bearish as well.

The first nationwide crop progress and condition report for 2018 was released yesterday afternoon. There was no national corn or soybean planting progress numbers yet, although quite a few states put numbers out individually.

Winter wheat condition ratings showed 32% of the crop rated g/ex versus 51% g/ex on the same date last year. 40% is p/vp and that compares with only 14% in those categories last year. Kansas, Oklahoma and Texas have by far the worst ratings with zero excellent in either Kansas or Oklahoma and Texas sitting at 3% in that rating. P/vp number are 47% in Kansas, 46% in Oklahoma and 59% of the Texas crop in those worst two categories. Kansas g/ex numbers went from 13% last week to 10%, Oklahoma stayed at 9% g/ex and Texas improved to 15% g/ex from 12% the previous week.

Individual state planting progress numbers showed Texas 55% done in corn versus 42% on average, Louisiana 84% versus 69% normally, Mississippi 50% versus 34% normally and Arkansas at 24% versus 22% on average for this date.

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