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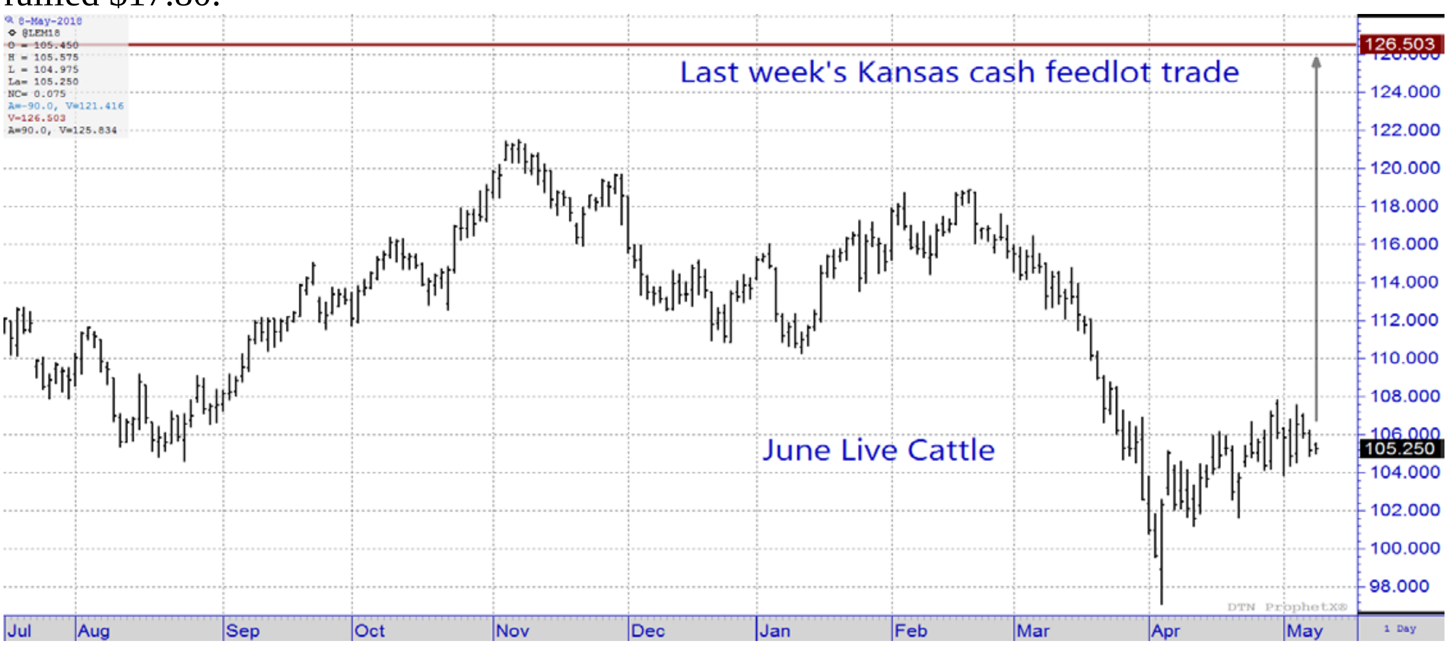
Morning Ag Markets

Pete Loewen

The vast majority of the ag sector closed out the first trading day of the week with steep losses. Live and feeder cattle markets were under moderate to heavy pressure. Live cattle specifically were down less than $1 on the front two months, but over $1 on all the rest. Feeders were down $2+ on the front three and $1 or better on all the rest. Of all the major ags we trade, the hog market was the only higher finisher.

Fundamental analysts in cattle are still shaking their heads in disbelief as futures sink in the face of incredibly stout cash market indicators. Negotiated cash feedlot trade gained $2-$2.50 in the Southern Plains last week up to a $126.50 top. Yesterday's June futures close was $21.33 under that mark and June closed 87 cents lower on the day. Without looking at historical data, I'm going to guess that blows the all-time record basis out of the water by a mile. It's not just a cash phenomenon either, since product trade keeps pushing higher as well. Choice cutouts are closing in on $230 and select topped $210 yesterday. In just the last 2 ½ weeks, choice has rallied $17.80.



Hard to believe futures pay zero attention to those cash indicators, but that's the dilemma we're in at the moment, because the managed money has other ideas that trump legitimate market direction.

Cattle slg.___119,000 +1k wa   +4k ya
Choice Cutout__229.14 +.84
Select Cutout___211.20 +1.71
Feeder Index:___138.10 +.20
Lean Index.__ 63.29 +.16
Pork cutout___71.55 +2.26
IA-S.MN direct avg__59.53 +.34
Hog slg.___ 449,000 -9k wa   +17k ya

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Grain and oilseed trade showed some nasty closes with beans down over 20 cents, wheat double digits lower and corn was down around a nickel. The market got zero help from export inspections that were released mid-morning, even though those inspections were really bullish corn and pretty supportive beans as well. I'm a little reluctant to talk about wheat regarding those inspections, but to be fair, I probably need to cover it, even though it's bearish.

Starting off on the bullish side, corn export loadings totaled 75.4 mln bushels compared to 33.9 in the same week last year. Not long ago the cumulative pace this year was more than 20% behind a year ago at the same time and that margin is down to 16% below at the moment. Still quite a bit to go to hit USDA's 3% demand decrease in the S&D's, but the gap continues to narrow nonetheless and with a few more weeks like this, it could get there quickly.

Soybean inspections were 19.6 mln, up from 13.6 last year at the same time. The pace for this marketing year is 12% behind last year with a projection of a 5% decline by the end of the marketing year. The gap is narrowing in soybeans as well, but at a slower rate than corn.

Wheat was disappointing with only 12 mln bushels loaded for export. Last year's same week was 24.2 mln. Right now we're 11% behind a year ago with a marketing year that ends on the last day of this month and the USDA projection is for a 12% drop, so the target is very likely going to get hit. The problem is, that target wasn't big enough to keep ending stocks below the 1 bln bushel mark. 1 bln in US wheat stocks is still very bearish. Hopefully in the first crop production guesses for the year coming out in this coming Thursday's USDA report, there can be some bullish fuel to reignite the run higher in the form of new crop reductions. You gotta feed a bull market frequently and after last week's Kansas Wheat Tour was over, the feed trough ran empty obviously, because it's been a tough slide lower since.

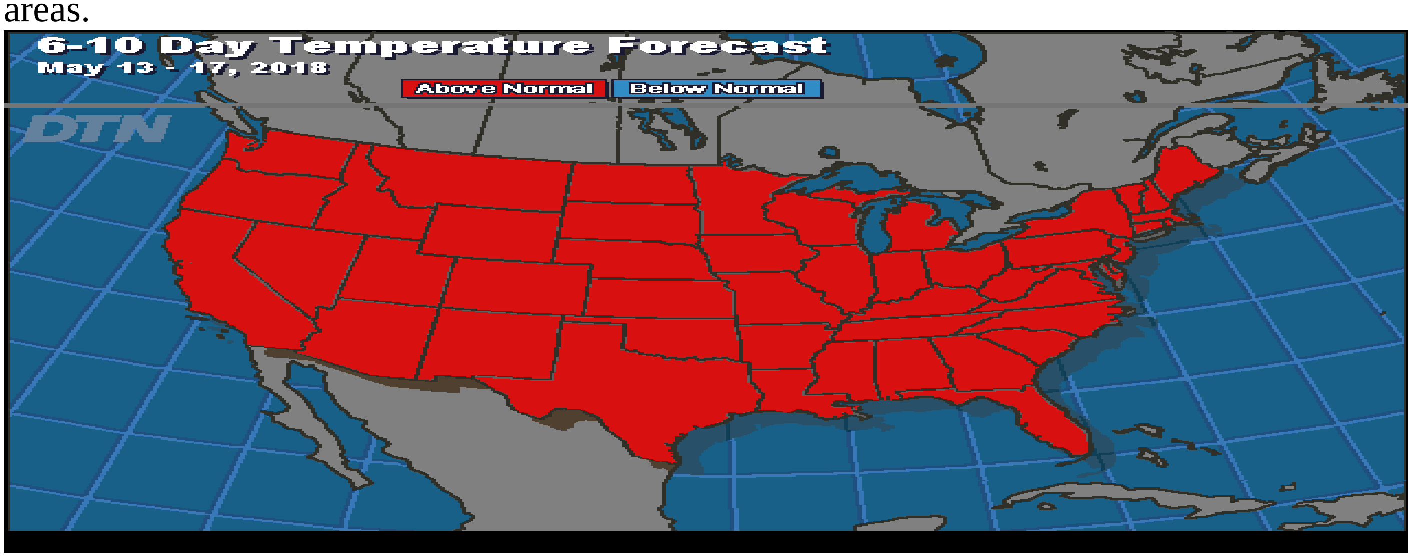
Crop progress and conditions came out yesterday afternoon and gave the market a lot of data to digest. The corn planting pace jumped 22% in the last week, up to 39% complete versus 45% last year and 44% as the average. Progress in the major states had Illinois 18% ahead of it's average pace for this time of year, Indiana was 9% ahead of normal, Iowa is down 8 points from normal, Kansas 1 point behind, Nebraska 4 points behind, Minnesota 35% behind normal and South Dakota 27% behind. Emergence was 8% nationwide versus 14% normally.

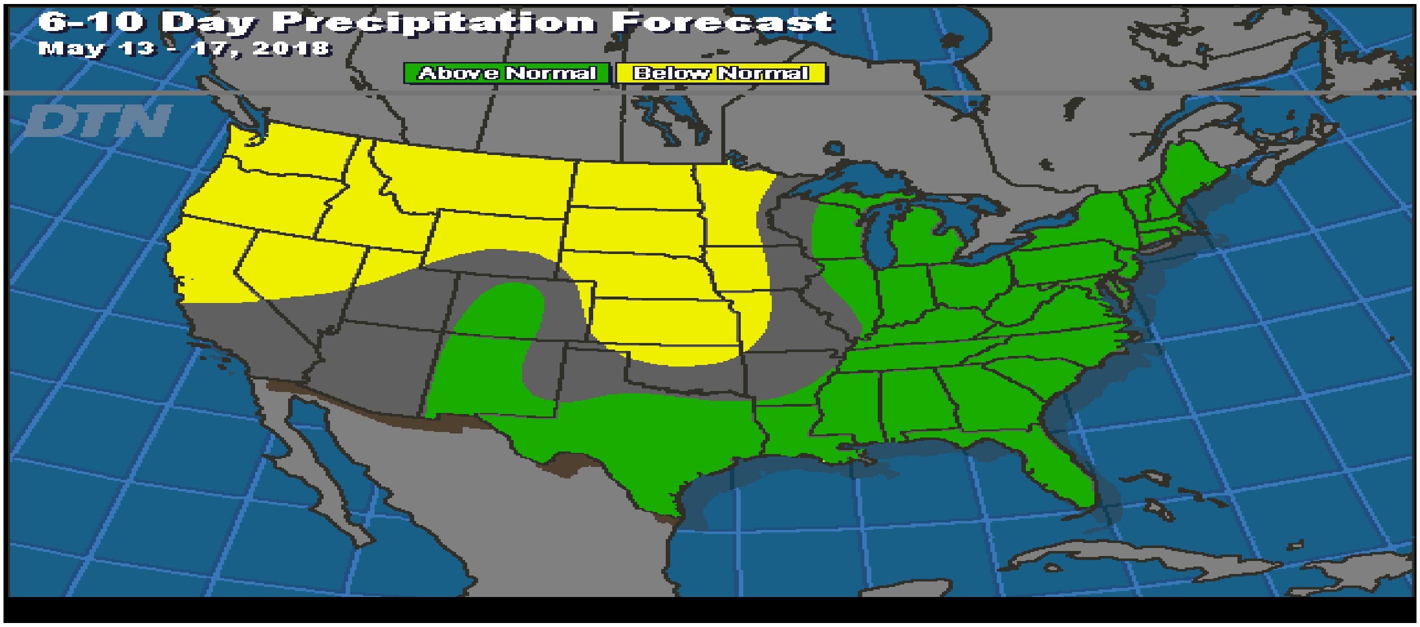
Soybean planting was 15% complete, up 2 points from the average and 2% higher than last year at the same time as well. Iowa is 1 point ahead of normal, Illinois 17% ahead, Minnesota 17% behind, Nebraska 4% ahead and Ohio 1 point behind.

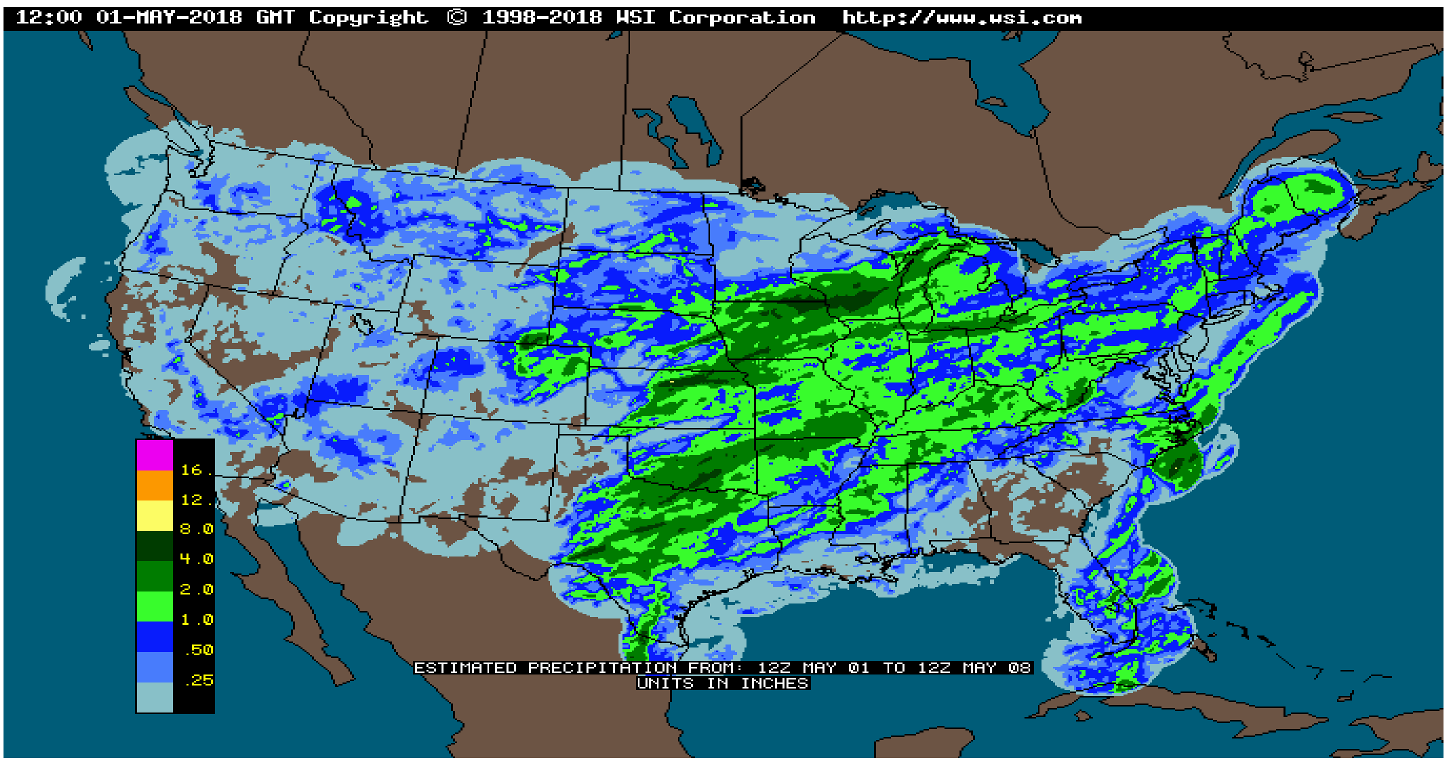
The spring wheat pace was 21% behind both last year and the normal pace at 30% planted nationwide. Idaho and Washington are right on target for a normal pace, but the Northern Plains of Montana, North and South Dakota and Minnesota are all struggling and on average 25% or more behind a normal pace.

Winter wheat condition was 34% g/ex nationwide and 37% p/vp. That g/ex rating is 1 point better than last week, but still 16% under last year. P/vp is 22 points above last year. In the big three for HRW wheat, Kansas is 14% good, zero excellent and 50% p/vp, Oklahoma was 9% g/ex and 68% p/vp and Texas is 16% g/ex and 60% p/vp. Currently winter wheat as a whole is 33% headed compared to 49% last year and 41% on average. In my opinion that puts wheat in a tough position to endure a lot more heat than normal during the ripening stage because maturity is so delayed this year.

6-10's last night showed normal to below normal precip over HRW wheat areas and solid below normal across spring wheat areas. The western Corn Belt into central areas were below normal and eastern Belt was above. Temps were above normal across the entire US. That's a good forecast for planting progress, but not a good forecast for moisture relief in the drier wheat areas.







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