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Morning Ag Markets

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Tough start to the week for the cattle complex. The Cliff's Notes version of yesterday's market action is that it took one day's losses to more than erase an entire week of hard fought gains on the futures side of the equation. Front month June live cattle closed limit down, which is $3 lower. The remaining contract months were $1.80-$2.00+ lower. Feeder cattle settled more than $3 lower on the front three months and just shy of $3 lower on the rest. Hogs thumbed their nose at the cattle and managed triple digit higher closes.

Beef product traders must have missed the memo yesterday on what futures were doing. Choice and select were both quoted higher in the afternoon summary and choice was up over $1. Since April 19th, choice marched higher every single day until Friday when it was down 10 cents in the first loss in 15 business days. At yesterday's close it was up $20.78 since mid-April. I'm not going to argue that the handwriting is on the wall for higher days being numbered though… Mother's Day is behind us and Memorial Day, which is a big beef holiday has already been covered in out-front buying. So the joyride of the spring push in beef demand is winding down. Out front beef booking of 22 days or more hit the smallest total last week since the first week of January.

If product hasn't topped, it's very close and there's no doubt that cash feedlot trade topped two weeks ago. That still doesn't explain limit lower front end live cattle futures. June fats closed $17.37 under last week's Southern Plains cash. That basis is way out of line.

Cattle slg.___117,000 -2k wa +1k ya

Choice Cutout__232.12 +1.15

Select Cutout___209.12 +.43

Feeder Index:___136.12 --.91

Lean Index.__64.65 +.59

Pork cutout___73.55 +.08

IA-S.MN direct avg__63.22 +.60

Hog slg.___ 459,000 +10k wa   +19k ya

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Grain and oilseed future spent the day in a quiet and tight range in the corn, finished actively higher with double digit gains in soybeans and wheat was headed in the opposite direction with losses in the 7-8 cent range in KC and Chicago and around 3 lower across the MGEX contracts. The surge in soybean futures came courtesy of two factors; 1) a strong currency devaluation in Argentina is causing farmers to hold grains instead of selling, and, 2) there's talk about China lifting restrictions on US beans and pork in upcoming trade talks with Trump.

Funds were reported buyers of 3000 corn, 6000 beans and sellers of 4000 wheat.

Export inspections in an overall sense looked bearish wheat and pretty good in corn and beans. Milo appears to have given up all hope since the China fiasco started. Wheat inspections were 14.9 mln bushels and the weekly pace needed to hit USDA's projection is 25.9 mln. With only a couple of weeks left in the marketing year, that's not good for wheat. Milo is in even worse shape if China refused to play ball on trade talks. The total was 302k bushels this week for milo and we need 4 mln per week to hit the USDA target for the year. Corn on the other hand looked good this week at 61.2 mln bushels in export loadings. The pace needed in corn is 53.6 mln per week to hit the export target. Soybeans came in at 25.3 mln bushels in inspections. That's just below the 26.3 mln needed to hit the target for the year, so that one is in sight, just like the corn.

Looking at those totals from another direction though, wheat total inspections for this marketing year are down 12% from a year ago at the same time with a projection of a 14% decline in total exports year-over-year. Whether we hit that or not, ending stocks still well over 1 bln bushels is bearish old crop wheat. Corn is sitting at 15% behind last year at the same time with a USDA projection of a 3% demand decrease. Soybeans are 11% behind last year and USDA projection there is for a 5% decline. Versus the pace needed, corn and beans are right on target this week. To date, they haven't been though, which is why we're still lagging those year ago totals. Very important from this point forward to see 26+ mln a week for beans and 53+ in corn. Bigger would be better though, because that potentially trims ending stocks.

Crop progress and condition numbers showed corn planting progress at 62% complete nationally compared to 39% last week and 63% on average. Big gainers and losers were

Illinois at 20% ahead of the average pace, Indiana 21 points ahead of normal, Kansas 5 points up, Nebraska 2 ahead of normal and Missouri 15 points ahead. Minnesota on the other end of the spectrum is 15% behind their normal pace, Wisconsin down 16 points from normal and South Dakota a whopping 40% behind. Emergence is 28% nationally, which is 1 point ahead of normal.

The soybean planting pace is 35% done nationwide, up 20 points from last week and 9 points ahead of normal. Indiana, Ohio, Illinois, Missouri, Kansas, Nebraska and Iowa are all ahead and South Dakota and Minnesota and way behind normal, which was very similar to the corn situation.

Spring wheat planting was 58% done, which is 9 points behind the average pace. Washington, Idaho and North Dakota were all very close to normal, but Montana, Minnesota and South Dakota are lagging by quite a bit still. Those states that are so far behind have been struggling with wet. The ones that are ahead have either had ideal planting conditions or in some cases have been too dry, which has allowed field work to advance rapidly as well.

Winter wheat crop conditions came in at 36% g/ex, which was 2 points better than last week and 36% p/vp versus 35% last week. Compared to last year, the current g/ex percent is 15 points less and the p/vp rating is 19 points worse. The big three in HRW wheat showed Kansas 15% g/ex and 51% p/vp, Oklahoma 11% good, none excellent and 65% p/vp and Texas 16% g/ex and 59% p/vp.

The great white combine took out a big swath of wheat in west central Kansas last night that should take those numbers down even more next week. I'm not sure what started the bleeding lower in KC wheat futures after making new recent highs two weeks ago, but it doesn't make much new crop fundamental sense. Old crop gets more bearish by the week, but the new crop situation with harvest approaching, in my opinion, is getting bullish at a faster pace. That shouldn't be bearish overall futures.

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