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Morning Ag Markets

Pete Loewen

Higher trade on Monday and a lower session in the overnight heading into Tuesday's open added some negative expectations to yesterday's market, but the bearishness didn't last long. It ended up being a wild day of significant swings in the grain trade. There was very little fundamental drive or fresh news as a catalyst so when the smoke settled it really left everyone second guessing what the driver was. Beans traded in a range of 81 cents on the new crop November contract and corn in a range of 30 ¼ cents in the pit with both seeing action quite a bit higher and quite a bit lower.

Contrary to the grain trade, livestock markets opened near the session highs and sold off actively with losses mounting in the triple digits in some of the live and feeder markets. Last week's cash feedlot business was disappointingly steady, causing some to obviously give up hopes on this week's market as well based on how the futures finished. And…, that's exactly what happened. Texas reported trade at $99 to get the ball rolling, Kansas followed at $99 and even some $98 and by late afternoon Nebraska was still holding out without anything reported. Very seldom do we see Texas leading the charge to surrender first, because usually that comes from the guys up north.

Cattle slg.__129,000 unch wa +3k ya

Choice Cutout_164.34 +.05

Select Cutout__157.16 -.25

Feeder Index:___113.11 -.04

Lean Index.__ 88.76 -.09

Pork cutout__92.12 -1.88

IA-S.MN direct avg__86.42 -.18

Hog slg.___ 434,000 +6k wa +30k ya

Opening calls this morning are 10-40 lower in cattle and 20-40 lower in hogs, both catching spillover selling from Tuesday's action as well as the hangover effects of the disappointing cash trade yesterday. Front end On Feed numbers should be friendly on Friday afternoon, plus there's a lot more cash trade needing to be accomplished before the weekend, but the small to moderate sized crack in the dam that Texas cattle feeders produced yesterday could very quickly turn into a gusher with another lower futures session.

In the hogs, Stats Canada came out with bullish signs of large liquidation with a July 1 total hog count that was 12% below the previous year. Couple that northern herd thinning with the blood-letting that's happened to the US hog producer this year (for anyone who wasn't well covered on feed needs) and it's setting the deferred month contracts up for a lot of longer term support.

Rallies will be hard fought heading past the midpoint of the week though, because cutouts took such a nasty hit yesterday in the face of cash bellies dropping nearly $10 in the afternoon box report.

In the grains, it's fruitless to attempt to explain any market driving forces from Tuesday's trade. There was so much action on both sides of unchanged that we should just step back and look at the longer term picture and ignore days like yesterday. Corn is facing a very large crop and comfortable ending stocks projections. Beans seem to be having a little more trouble in some areas and there's no denying the extreme tightness of the bean stocks situation. Both crops will also be very vulnerable to early frost potential if it surfaces.

In wheat, we seem to have solved both the world and the US shortage situation <u>in one crop year</u> and that's a very bearish statement for a market that rallied more than $1.00 in just 4 sessions last week. This year's Kansas wheat crop had an average test weight of 60.4 lbs compared to 59.3 last year and a protein average of 12.4 compared to 11.7 last year and 12.3 on the 10 year average. There's also a massive difference between a 574 mln bushel carryout compared to 306 mln on June 1. 21 mmt's more in the world balance sheet is a bearish statement as well.

Now we have some excellent moisture that's been added to quite a few areas in the High Plains over the last 7 days and yet wheat is still going up?? Don't think there won't be a lot of wheat planted this year in HRW wheat country- especially if the market remains above the $9 area where it's at today. Call us and we'll help you map out a plan on how to capitalize on this issue.

Overnight E-CBT trade was__ higher with KC Wheat +4 ¼ to +7, Chicago +3 ¾ to +9 ¼, corn +6 to +8 ¾ and soybeans +20 to +21 ½.

Opening calls this morning are 5-10 better in corn and wheat and 15-20 better in beans. I think at some point in time here, the corn and wheat markets are going to find significant resistance and willing sellers. In corn it is going to come from the producer that saw the market just two short weeks ago knocking at the door of $5.00 and now it's a lot closer to $6.00 and we'll see some selling pick up in that range. Wheat is in the same boat with $9.32 looking a whole lot better than the $8.48 from just two weeks ago.

Calls are higher this morning, but it wouldn't surprise me to see selling develop into later in the week, which will be emphasized even more if some better moisture develops for the Corn Belt in the pockets that are now beginning to complain of a little dryness for the first time this summer. At least it's been cooler than normal for most of those areas.

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IMPORTANT—PLEASE NOTE