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Morning Ag Markets

The cattle complex suffered through a rough day Wednesday, as the entire meat complex fell victim to a big round of selling. Lean hogs and bellies both finished with limit losses to go along with the retreat in feeder and especially live cattle futures. There really wasn't one big piece of news to attribute the losses to, with fund liquidation and technical selling getting the most airtime. There was really little direction to be had from the outside markets on the day so in the end the magnitude of the losses was pretty surprising. The result of the sharp drop in futures was some fairly active cash trade that got started in Texas around midday and moved North as the day went on. The live sales in the South were pretty much steady with last week at $99 while the dressed sales in the North were steady at $156. Apparently many feedlots decided not to take any chances and go ahead and accept the steady bids instead of seeing what the rest of the week held. With $2 losses on some live contracts Wednesday, you really can't blame them this time around. At least they didn't throw in the towel at lower money and add some additional pressure to the market for the remainder of the week.

The feeder market took most of its direction from the live pit yesterday and unfortunately that meant triple digit losses for most months. The August contract, which expires today, was the only month not greatly affected, as the board was already at a discount to the cash index and couldn't really fall too much further.

Cattle slaughter Wednesday 127,000 unch week ago +1k year ago

Choice Cutouts_160.98 -1.06
Select Cutout__ 154.33 -.98

CME Feeder Index:___113.41 -.20

Lean Hog Index 85.76 -1.14

Pork carcass cutout value 81.74 -2.05

Hog slaughter Wednesday 432,000 +15k week ago +24k year ago

Calls this morning in the cattle complex probably have to be a shade lower as we could see some follow-through selling from yesterday's mess. The cash trade at steady money could have been worse, but still won't do anything to help support the board with August fats still almost $2 over cash. We will probably also see some spillover pressure from the hog market once again, as the horrific trade as of late there doesn't look to let up this morning with cash hogs expecting to trend weaker again today in the wake of plummeting carcass values. Just not a lot of good news for the meats as a whole this morning and that should translate into a lower start. For the open, I'll call live cattle 10 to 30 lower and feeders maybe 10 to 20 lower.

Moving over to the grain markets, the corn and bean trade was very mixed Wednesday before closing a little higher, with rains falling in parts of the corn belt keeping a lid on any big gains, although forecasts aren't bringing an abundance of moisture to the region over the next few days. Traders are also keeping a close eye on the hurricane in the gulf, assessing any potential impact it may have on energy and therefore grain prices. The wheat markets sold off hard Wednesday, divorcing from the corn and bean trade as fundamentals remain more bearish than anything for the wheat trade.

Overnight electronic trade last night was lower for the most part, with corn 5 to 10 lower, beans 13 to 18 ¼ lower, and Kansas City wheat 7 lower to 2 higher in a very slow session.

Well despite the ability of corn and beans to finish higher yesterday, there wasn't much follow through overnight as the trade was focused on the rains that fell yesterday on into this morning in much of the Corn Belt. Much of Iowa and Illinois will benefit greatly from these rains as things were starting to get pretty dry and these rains came at a pretty important time. There is still a hurricane coming sometime early next week, which has the crude oil market very nervous and rallying again this morning, but there hasn't really been much spillover support for grains. The track of that hurricane is still being debated and the location of landfall is fairly important, as that would likely dictate whether or not the Midwest sees much precipitation from the remnants.

There is no question that the talk has picked up tremendously about declining corn and soybean production potential across much of the Midwest over the past couple of weeks as the rains shut off and various other problems have become more evident. Only time will tell but it is tough to ignore the chatter from the country regarding crop conditions, although we haven't seen big declines on the weekly crop condition reports. It may take until harvest to fully assess where we are regarding this year's corn and bean crops, and unfortunately that is quite a ways away in many areas with the crop so far behind. We are likely looking at some very volatile trade over the next couple of months, although everyone should be pretty well conditioned to that by now.

The wheat markets were a mess yesterday, ignoring what was going on in any other markets and selling off hard in Kansas City and Chicago. Just further proof that last week's big gains were overdone and now you know why we struggled all week last week when talking about the wheat markets-there just weren't any valid reasons why wheat rallied a dollar. Now the market has taken all of that back and then some, with July 09 KC wheat well over a dollar below levels seen a week ago. Fundamental pressure has come from pretty solid conditions across much of the US hard wheat belt heading into planting as well as rains in the forecast for Australia and Argentina after parts of their wheat growing regions had started to dry out. Wheat fundamentals are still rather weak, but a big move in corn and/or beans would likely have a large effect on wheat price direction as well, so continue to use caution when it comes to these markets, as the wild swings will continue.

Weekly export sales data this morning showed more cancellations for old crop beans, which once again isn't too surprising as we are now into the last few days of the marketing year and sales are being rolled to the new crop year. The old crop tally was a negative 7.1 million bushels while new crop sales were 12.4 million bushels, giving a net sales number of just over 5 million bushels, a very unimpressive number near the bottom of expectations. Corn sales came in at 33.3 million bushels for old and new crop combined, a little above the range of guesses from 18 to 30 million bushels, but still not an eye-popping number. Wheat sales totaled 14.4 million bushels, within the range of guesses from 9 to 17 million. Once again, not a lot of direction to be had from the export sales report this morning and it will likely be looked over by most as the focus will remain on weather and the outside markets.

Calls this morning are going to be a little lower with Corn Belt rains accounting for much of the selling pressure. However, crude oil is rallying again on hurricane fears and the U.S. dollar is weaker, so don't be surprised if corn and beans make a rally attempt at some point today. For the open, I'll call corn 3 to 6 lower, beans 7 to 12 lower, and Kansas City wheat maybe 2 to 4 lower.

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