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Commodity Brokerage/Consulting

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Morning Ag Markets

The cattle complex managed higher closes again Wednesday, although things were a little more subdued than the big gains seen Tuesday. News was relatively light and the trade was actually fairly slow at times, with cash fed cattle business still at a standstill as bids and asking prices were still a solid \$3 to \$4 apart. Feedlots gained a new sense of optimism after the big jump on the board Tuesday and they won't be in a hurry to let cattle go anywhere close to the current bids down around the \$90 mark. Cutouts did back off just a bit Wednesday and seem content to hang around that \$150 level on the choice, which may make it difficult to keep ratcheting cash higher in the meantime. The general feeling earlier in the week was that we were likely to see cash maybe back up a bit this week, but the board recovery since then has turned most cash guesses to just steady with last week's \$92 in the South. Packers didn't buy many cattle last week, especially in Texas, but that has not brought them to the table so far this week. The kill pace has slowed somewhat, running 11,000 head behind last week at this time, so packers have pulled in the reins just a bit. I wouldn't be too surprised by some cash activity today, but doubt packers will be in a hurry to come up to those lofty asking prices. Both sides will try to stand their ground and there is no telling where we'll end up, but I'm still going with a steady guess around the \$92 mark in the South.

There was a bit of encouraging news on the pork front Wednesday, with the announcement that Russia was set to lift its ban on U.S. pork imports, although it will be lifted over time and will likely take quite a while to have much of an impact on our pork demand. The announcement did spur a bit of buying in the hog market Wednesday, with the spot April lean hog contract making another run at that old high just above the \$74 mark. The deferred contracts did score more new highs Wednesday as the fund appetite for hogs remains rather strong.

Cattle slaughter Wednesday 117,000 -6k week ago -2k year ago
Choice Cutouts: 150.42 -.83 Select Cutouts: 148.97 -.53
CME Feeder Index: 101.64 +.15 Lean Hog Index 70.43 +.65
Pork carcass cutout value 75.35 +1.39
Hog slaughter Wednesday 427,000 +3k week ago -5k year ago

Calls this morning in the cattle complex are a little on the stronger side again after the electronic session moved a bit higher overnight into this morning. News remains rather light as traders wait for the cash trade to get going, which may happen today, although packers don't seem to be in a hurry to come after cattle. Without much news I suppose you just pin the higher trade on some continued technical buying and thoughts that this run can continue with many fat and feeder contracts sitting at new recent highs. For the open this morning, I will call both live and feeder cattle 5 to 15 cents stronger, with feeders looking the strongest once again.

Moving over to the grain markets, it was back to corn and wheat leading the strength Wednesday with decent gains seen there while beans faltered a bit at the close, at least on the front months. News was light as has been the case lately, but the outside markets added enough support that we saw a little fund and technical buying interest. Hard to read much into the action with so little going on, as traders wait for the release of next week's March USDA reports.

Overnight electronic trade last night was lower with corn 1 ½ to 3 lower, beans 4 to 6 ¼ lower, and Kansas City wheat 4 ¼ to 7 ½ lower.

Well Wednesday turned out to be a fairly decent day for the corn and wheat markets, with corn futures pushing right back up against those highs from late last week and Monday. Wheat futures are just caught in a battle between too many short positions and very bearish fundamentals, which continues to result in wide swings that in the end don't really take us anywhere. News was light again on the day Wednesday, with the outside markets adding quite a bit of support and likely the underlying reason for most of the strength. The soybean market was unable to sustain its gains into the close, with the front months backing off nearly to unchanged while new crop held in there a shade higher. Once again we pushed toward that \$9.50 level on new crop November beans, but can't seem to quite get there. It feels like these markets are really moving, but in reality most of the trade has been spread related and we see reversals almost daily and in the end we are still pretty much confined to the recent trading ranges. One day it is corn and wheat leading the gains and the next is beans, with no real conviction anywhere as traders wait for fresh news, which means waiting until next week's crop report.

Speaking of that crop report, most in the trade are expecting a slight reduction in corn production from the January numbers, but I would say there is still an outside chance that we could see not much change to perhaps even a little increase in the corn crop size. All the talk from the areas that had large amounts of standing corn has indicated the crop held up well and yields are still solid. An increase in production would obviously not do any favors to the market, but I am probably in the camp that is looking for a slight reduction, although nothing earth-shattering. Look for exports and usage in general to maybe take a step back as well, with the exception of ethanol. On the bean side no major changes are expected on the production end, although some are looking for another increase in exports, giving us a smaller carryout. I can't say I agree with that as I still feel we will see some cancellations this spring, but we'll have to wait until next Wednesday to find out what the government is thinking.

Weekly export sales data released this morning was decent for corn but definitely on the disappointing side for beans and wheat. The corn number was just under 30 million bushels, a little above the range of guesses from 12 to 24 million. Bean sales were just 6.7 million bushels, well below the range of estimates from 9 to 13 million and a new marketing year low. And lastly, wheat sales tallied just 3.7 million bushels, not even coming close to the guesses from 11 to 18 million. Those numbers won't do us any favors this morning, especially on the bean and wheat side.

In other minor news from Wednesday, the head of the EPA told Congress yesterday that they would make their decision by late summer on whether or not to increase the ethanol blend rate from the current 10% up to 15%. Engine makers and oil companies are still fighting the change, citing inadequate testing on the effects of a higher blend, but it is generally accepted that we will see some sort of an increase in the blend cap whenever they make their ruling.

Other news is pretty light this morning, with everyone banking on next week's reports for new direction. Between the March S&D numbers next week and the planting intentions report at the end of the month we will at least have some fresh news to talk about and work with in the near future. Calls this morning will be on the lower side with just a small amount of outside market influence at this point as crude oil is moving lower and the dollar is a little stronger. For now it looks like the trend of very choppy trade is going to continue as the markets appear poised to correct a bit after yesterday's gains.

For the open this morning, I will call corn futures 2 to 4 lower, beans 4 to 7 lower, and Kansas City wheat 5 to 8 lower.

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