



# THE CLOSING BELL

By Tom Leffler and Larry Glenn

TODAY'S THOUGHT

Friday, May 18, 2012

The difference between genius and stupidity is...genius has its limits

**IMPORTANT:** Starting Sunday evening the CME & KCBT Grain Futures will start trading at 5 pm till 2 pm the following day (21 hours straight trading) the settlement price will be based on the 1:15 pit closing.

## CATTLE and HOGS

Futures Contract	Net Change	Closing Price	Today's High	Today's Low	14-Day RSI	10-Day Moving Avg.	50-Day Moving Avg.	Contract High	Contract Low	30-Year High	30-Year Low
Jun 12 LC	1.60	119.525s	119.90	117.88	55.59	116.66	117.44	128.92	111.55	128.92	52.42
Aug 12 LC	1.88	121.925s	122.10	119.78	64.57	119.06	120.12	130.67	113.20	130.67	49.85
May 12 FC	0.68	151.300s	151.60	150.20	52.24	150.55	151.80	163.35	126.30	163.35	46.15
Aug 12 FC	0.78	160.700s	161.25	159.70	66.56	158.73	155.79	164.42	136.00	164.42	49.25
Jun 12 LH	0.00	87.425s	87.95	86.80	50.90	85.64	89.64	101.30	82.92	104.15	39.80

- The live cattle and feeder cattle futures both had strong upside and strong closes to end the week that has seen some of the best gains for the cattle complex in a long time
- Technical and fund buying, along with short covering lifted the cattle higher as most were expecting to see higher cash cattle trade in the feed yards today
- Choice box prices have been up 19 of the past 24 days for a total gain of \$14.90.
- **This week** the cash cattle trade started on Friday like last week and was hard to get good numbers...sounds like around 30,000 head moved in KS and 9,000 head in TX/OK at mostly \$123. In Nebraska over 20,000 head at \$195 in the meat and \$123.50 to \$125.00
- **Last week** the USDA reported cash cattle traded in Kansas was 29,279 head 119-121 and \$190-\$192. TX/OK moved 18,303 head at \$119-\$120. Nebraska traded 37,040 head at \$120-\$122 and \$192-\$194.
- Today's average beef plant margin according to *HedgersEdge* is estimated at **\$11.95** per head gain, a week ago it was a **\$3.65** per head profit.
- The cash feeder cattle index has been higher 14 of the past 21 days for a total gain of \$3.09. Monday the index was down \$1.11
- Page 2 has the results of Friday's Cattle On Feed Report
- Estimated weekly cattle slaughter 641,000 head, week ago 639,000 and year ago 662,000  
\*\*\*\*\*
- The lean hog futures had a great session of upside and appear to have put the spring low in and are working higher
- Today the pork cuts were mostly lower, after being mostly higher 5 of the past 6 days
- The 2-day cash lean hog index has been higher the past 4 days for a total gain of \$2.85

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- Estimated weekly hog slaughter 2.116 million head, week ago 2.089 and year ago 2.031 million

*Tom Leffler*

**June Live Cattle** had its highest trade since March 29<sup>th</sup> and closed positive today. Resistance is at \$120.05 the 50% retracement of April low to Feb. high...\$121.00 area. Support is \$118.00 area...\$117.44 50-DMA...\$115.50 area

**August Feeder Cattle** had its highest gain since March 6<sup>th</sup> and closed positive. Resistance is at \$161.50 area...\$162.00 area...\$160.50 area \$163.00 area. Support is at \$159.50 area...\$157.27 100-DMA...\$156.00 area...\$155.80 50-DMA

<u>F.I. Cattle Kill</u>	<u>Daily/wk totals</u>	<u>Box Beef</u>	<u>Prices</u>	<u>Net Change</u>	<u>Box Beef Load Count</u>	
Today	127K / 632K	Choice 600-900	\$192.51	+ \$1.41	Choice Cuts	77
Week Ago	126K / 623K	Select 600-900	\$186.56	+ \$0.73	Select Cuts	58
Year Ago	132K / 648K	<b>Choice/Select Spread</b>		<b>\$5.94</b>	Trimming	22
<b>CME Cash Feeder Index</b>		<b>\$148.38</b>	<b>+ \$0.59</b>		Coarse Grinds	23

## • Today's Cattle On Feed Report is FRIENDLY

- May 1 On Feed was 99%** (est. 100.3) which is 11.110 million head and is 2.8% above the 3-year average. NE was up 4%; TX down 1% and KS were down 4% versus last year. Today's cattle on feed number were below a year for the first time after being higher the past 23 consecutive months. The on feed was also the smallest since September 2011...
- Apr. Placements were 85%** (est. 88.4) which is 1.521 million head and is 9.1% lower than the 3-year average and 6.4% below the 5-year average. This is the smallest placement since June 2009 and the 3<sup>rd</sup> smallest April placement of the past 17 years. NE was unchanged; TX was down 18% and KS was down 21% versus a year ago. The weight breakdown of the placements: under 600# down 20.2%; 600-699# down 19.4%; 700-799# down 21.7% and 800 plus# down 01.7%.
- Apr. Marketing was 100%** (est. 98.6) which is 1.815 million head and is 1.6% below the 3-year average. This is the 2<sup>nd</sup> smallest April marketing of the past 6 years. TX is up 12%; KS down 1% and NE up 14% compared to a year ago.
- Apr. Other Disappearance was 130%** which is 78,000 head more than a year ago. TX accounted for 15K; KS 10K and NE 20K of the total.
- Monday the Cattle should open higher at 9:05.....but keep in mind cash has been working higher the past 3 weeks, since late April June live cattle have went up \$8.72 and August feeder cattle up \$10.92, plus choice box beef has been higher 19 of the past 24 days for a total gain of \$16.31. Now has some of the reports positive affect already been built into the market? One more thing to worry about is that the DOW has closed negative 13 of the 15 sessions and the S&P has closed lower 12 of the past 15 sessions and are now trading at levels that go back to late January. Tuesday is the monthly cold storage report.**

### USDA Cattle On Feed Report

	<b>Average Estimate</b>	<b>Estimated Range</b>	<b>Estimate VS 3 Year Avg.</b>	<b>Estimate VS 5 Year Avg.</b>	<b>USDA Actual #'s</b>
<b>On Feed May 1</b>	<b>100.3</b>	99.4 - 101.1	+ 02.8 %	+ 01.3%	<b>99</b>
<b>April Gross Placements</b>	<b>88.4</b>	82.9 - 98.6	- 09.1%	- 06.4%	<b>85</b>
<b>April Marketings</b>	<b>98.6</b>	96.4 - 99.2	- 01.6%	- 03.1%	<b>100</b>
<i>The above estimates compiled by Dow Jones are in percentages versus year ago figures, on feed yards of 1,000 head capacity or more. The report was released on Friday 2:00 CT.</i>					

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**June Lean Hogs** made a new high for the week and closed unchanged. **Resistance** is at \$88.50 area...\$89.64 50-DMA. **Support** is at the \$86.00...\$85.00 area

<u>F.I. Hog Kill</u>	<u>Daily/ wk totals</u>	<u>Wholesale Pork</u>	<u>Price</u>	<u>Net Change</u>
Today	408K / 2.050M	Cutout 185#	\$81.48	- \$1.20
Week Ago	413K / 2.072M	Primal Loin	\$101.11	- \$2.54
Year Ago	382K / 2.006M	Primal Ham	\$64.27	- \$1.48
<b>CME Hog Index</b>	<b>\$82.02 + \$1.21</b>	Primal Rib	\$147.36	- \$0.87

## CORN

Futures Contract	Net Change	Closing Price	Today's High	Today's Low	14-Day RSI	10-Day Moving Avg.	50-Day Moving Avg.	Contract High	Contract Low	30-Year High	30-Year Low
Jul 12 C	10' 4	635' 4s	638' 4	619' 4	57.98	6.08'0	6.26'7	7.95'0	3.93'2	7.99'0	1.54'0
Dec 12 C	8' 6	537' 0s	542' 4	522' 0	55.02	5.19'3	5.40'7	6.73'4	3.86'6	7.99'2	1.85'4

- The corn market was a follower in today's trading with the corn price posting small gains compared to a wheat market that traded sharply higher.
- Bear spreading was active during the session until the last fifteen minutes when the traders reversed their trades. The July versus December corn spread closed up 1 ¾ cent at 98 ½ cents.
- The weather concerns are mainly for the wheat but some fall crop producing areas around the world are on the "weather watch" list.
- It is early in the growing season for dryness to be a concern in most of the Corn Belt, the corn seed was placed in a good moisture profile. Currently, the center section of the Corn Belt shows the driest. Weather forecast for Illinois and surrounding states will be closely monitored by the traders.
- The Midwest forecast for the next two weeks calls for normal to above normal rainfall and above normal temperatures.
- The chart picture for the July corn contract looks bullish with today's close above the last reaction high. The lines on the trend indicator point up but are approaching an overbought condition.
- The price trend for corn during the last eight months is sideways. I would expect this to remain the price pattern. Today's close on the front month is slightly above the mid-range.

*Larry Glenn*

**July Corn** traded higher today to its highest trade of the past 28 sessions and closed positive with the highest close of the past 29 sessions. **Support** is at \$6.27 50-DMA...\$6.10 area...\$5.90 area...\$5.72 ¼ the May & 2012 low. **Resistance** is at \$6.37 100-DMA...\$6.45 area.

## SOYBEAN COMPLEX

Futures Contract	Net Change	Closing Price	Today's High	Today's Low	14-Day RSI	10-Day Moving Avg.	50-Day Moving Avg.	Contract High	Contract Low	30-Year High	30-Year Low
Jul 12 S	-33' 0	1405' 0s	1438' 6	1405' 0	43.80	14.26'0	14.19'1	15.12'4	9.32'5	16.60'0	4.01'4
Nov 12 S	-18' 4	1288' 0s	1317' 4	1288' 2	36.43	13.20'3	13.41'4	14.00'0	9.05'0	16.36'4	4.05'2
Jul 12 SM	-10.10	417.9s	430.80	417.00	53.04	418.40	398.30	437.60	249.40	455.50	122.30
Jul 12 BO	-0.40	50.32s	50.84	50.03	25.93	51.97	54.89	60.76	49.42	71.45	14.49

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- Selling returned today to the soybean complex with more long liquidation in the soybean and soybean meal futures, along with more unwinding of soybean/wheat and soybean/corn spreads all pushing prices lower
- There was a real lack of fresh news for the soybean complex, today's main feature once again was watching the extreme bounce in the wheat futures
- The soybean futures on the Chinese Dalian commodity Exchange has dropped lower the past six straight sessions
- China is planning to auction 600 TMT of state reserve held soybeans

*Tom Leffler*

**July Soybeans** traded and closed lower today. **Support** is at \$14.00 area...\$13.76 Monday's Low...\$13.50 area...\$13.38 the 100-DMA. **Resistance** is at \$14.19 50-DMA...\$14.50 area...\$14.75 area

**July Soy Meal** traded mixed and closed negative today. **Support** is at \$415.00...\$398.30 50-DMA. **Resistance** is at \$430.00 area...\$437.60 Apr. & Contract high...\$440.00 area.

**July Soy Oil** traded mostly was very near the low of the week and closed negative. **Support** is at 50.00 area...49.50 area. **Resistance** is at 51.00 area...51.50 area...52.00 area.

## WHEAT

Futures Contract	Net Change	Closing Price	Today's High	Today's Low	14-Day RSI	10-Day Moving Avg.	50-Day Moving Avg.	Contract High	Contract Low	30-Year High	30-Year Low
Jul 12 KW	33' 0	705' 0s	708' 4	667' 2	68.07	6.38'7	6.64'0	9.97'4	5.90'0	13.20'0	2.30'0
Sep 12 KW	31' 0	717' 4s	721' 0	683' 0	67.62	6.54'1	6.78'6	9.84'0	6.25'4	13.00'0	2.33'6
Jul 12 W	37' 4	695' 2s	697' 4	652' 4	70.34	6.22'3	6.39'7	9.57'4	5.92'2	12.72'6	2.30'0
Sep 12 W	33' 4	703' 0s	707' 4	664' 2	69.55	6.35'6	6.54'5	9.63'2	6.06'6	12.78'0	2.30'4

- It was another strong session in the wheat market with weather and technical buying the two major bullish themes. It is the winter wheat markets (Kansas City and Chicago) that have outpace the spring wheat market (Minneapolis).
- The July Kansas City wheat contact has traveled over 98 cents from the low made on Monday to Friday's high. This illustrates how volatile a commodity market can be when you add weather to the mix.
- Looking at the Kansas forecast, the 6 to 10 day shows above normal temperatures and normal precipitation. The 8 to 14 day forecast shows above normal temperatures and below normal precipitation. Not much relief in sight. There is a chance for rain this weekend but look for spotty showers.
- The rally in the wheat market was "awful fast and traveled a large distance". We see a break in the price just as quick. Moisture received and forecasted will control the price action in the wheat market.
- **Wheat producers**, now is the time to use put options for price protection. With a questionable crop size and a rally in the price, put option give you price protection but will leave the top side open. If you are selling across the scale, use the July Kansas City wheat puts. The July KC wheat puts expire on June 22, 2012.

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- CHECK OUT THE 2011 JULY KC WHEAT CHART on PAGE 6 THAT REMIINDS YOU OF LAST YEAR'S TRADING VOLATILITY AND EVENTUAL DOWNSIDE.....

*Larry Glenn*

**July KC Wheat** had its highest trade of the past 33 sessions and closed near the daily high, just back on Monday it had its lowest trade since July 1, 2010. The 2012 contract high was \$7.50. Before today during 2012 the contract traded at or above \$7.00 49 times, the last time was April 4<sup>th</sup>. **Support** is at \$6.86 100-DMA...\$6.64 50-DMA...\$6.40 area...\$6.20 area...\$6.09 1/2 May and 2012 low...\$6.05 July 2010 low...\$6.00 area. **Resistance** is at \$7.08 1/2 May high...\$7.25 area.

**July Chicago Wheat** had its highest trade since February 1<sup>st</sup> and closed near the daily high, just back on Monday it equaled the contract low. **Support** is at \$6.75...\$6.50 area...\$6.40 50-DMA...\$6.20...\$6.00 area...\$5.92 1/4 May & Contract low...\$5.75 area. **Resistance** is at \$7.00 area...\$7.25 area

## **OTHER MARKETS:**

Contract	Net Change	Closing Price	Today's High	Today's Low
Dow Jones	-73.11	12369.38	12492.97	12336.76
Jun 12 S&P	-10.75	1290.50	1310.50	1289.75
Jun 12 T-Bond	-0' 02	148' 10s	148.20	147.18
Jun 12 Gold	17.00	1591.9s	1597.50	1567.80

Contract	Net Change	Closing Price	Today's High	Today's Low
Jul 12 Cotton	1.34	77.99s	78.12	76.47
Jul 12 Oats	1' 4	340' 0s	341' 0	335' 0
Jun 12 Crude	-1.14	91.80s	93.24	91.25
Jun 12 Heat	-0.02	2.8352s	2.8642	2.8287

## **NOTES of INTEREST:**

- Leffler Ag Consulting has established a strategic alliance with Zenger Management of Manhattan KS to offer **Marketing and Ag Risk Management** to producers. If you are interested in visiting about the services or would like a 2-week free trial of the marketing newsletter, please give Tom a call.
- **IMPORTANT:** Starting **Sunday evening** the CME & KCBT Grain Futures will start trading at 5 pm till 2 pm the following day (21 hours straight trading) the settlement price will be based on the 1:15 pit closing

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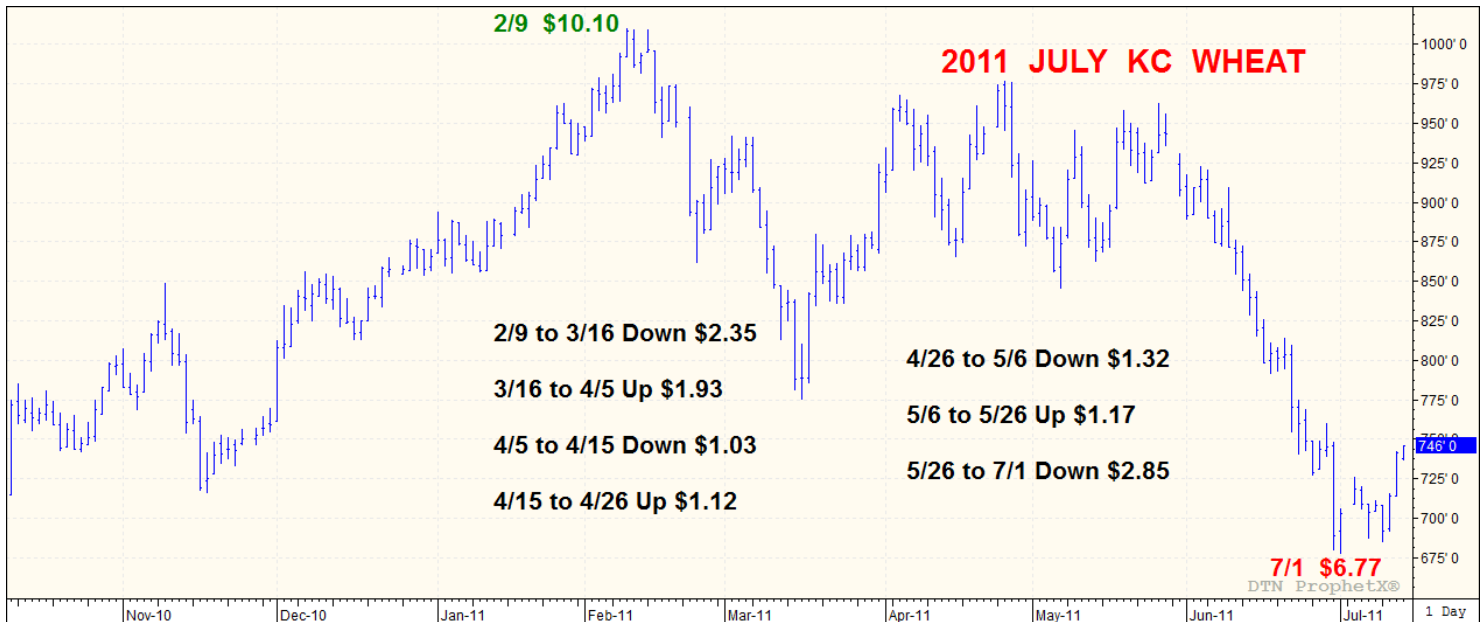
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**TODAY'S CLOSING PRICES VERSUS WEEK AGO and VERSUS A YEAR AGO**

	Today's Close	WEEK AGO		YEAR AGO	
	18-May-2012	11-May-12	NET CHANGE	18-May-11	NET CHANGE
Jun Live Cattle	119.52	115.15	4.37	106.25	13.27
Aug Feeder Cattle	160.70	157.47	3.23	128.00	32.70
Jun Lean Hogs	87.42	85.30	2.12	91.65	(4.23)
Jul Corn	6.3550	5.8100	0.5450	7.4975	(1.1425)
Dec Corn	5.3700	5.0525	0.3175	6.7200	(1.3500)
Mar Corn 2013	5.4650	5.1700	0.2950	6.8225	(1.3575)
Jul Soybeans	14.0500	14.0600	(0.0100)	13.7950	0.2550
Nov Soybeans	12.8800	13.2125	(0.3325)	13.5325	(0.6525)
Jan Soybeans 2013	12.8600	13.2075	(0.3475)	13.6250	(0.7650)
Jul Soy Meal	417.90	408.50	9.40	3.61	414.29
Jul Soy Oil	50.32	52.24	(1.92)	57.30	(6.98)
Jul KC Wheat	7.0500	6.1000	0.9500	9.3800	(2.3300)
Sep KC Wheat	7.1750	6.2600	0.9150	9.5350	(2.3600)
Jul CH Wheat	6.9525	5.9700	0.9825	8.1700	(1.2175)
Jul Cotton	77.99	78.97	(0.98)	159.86	(81.87)
Jul Crude Oil	91.80	96.49	(4.69)	100.56	(8.76)
Jul Heating Oil	2.8352	2.9678	(0.1326)	2.9193	(0.0841)
Jun Dollar Index	81.424	80.435	0.989	75.632	5.792
DOW	12369	12820	(451)	12560	(191)



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**Charts Reflect Combined Electronic & Day Sessions**

Dark Red Line is Trend Line // Green Line is 50-Day Moving Avg. // Red Line is 100-Day Moving Avg // Blue Line is Retracement

**2012 JUNE LIVE CATTLE**



**2012 AUGUST FEEDER CATTLE**



**2011 JULY CORN**



**2012 JULY SOYBEANS**



**2011 JULY KC WHEAT**



**2011 JULY CHICAGO WHEAT**



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