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Morning Ag Markets

Pete Loewen

Big corrective bounce higher in the feeder cattle and some of the deferred live cattle contracts yesterday, but not so much on the front end fats. Contracts like Feb and April live were up over \$2.00. The spot August futures spent most of the day lower and at times sharply lower, but managed to close 7 cents higher. Managing to squeak out a higher finish is good, but it still left futures at more than \$7.00 discount to last week's cash feedlot trade from the early rounds and \$5.00+ under the last reported trade that was in the \$158-\$159 range.

The scary part is that August futures and cash will converge over the next two weeks as they head into the turn of the calendar and the expiration of the contract on the last business day of the month and if that convergence is by cash moving lower it obviously isn't good-. I have a hard time believing that feedlots lost all of their leverage last week when they took lower money after the board broke hard. For that reason I'm still holding on to the belief futures will make up at least part of that ground eliminating the spread between discounted futures compared to cash heading into the end of the contract.

Cattle slg. ___114,000 +4k wa unch ya

Choice Cutout ___259.44 -1.01

Select Cutout ___251.62 -1.38

Feeder Index: ___223.09 +.75

Lean Index. ___119.91 -1.08

Pork cutout ___120.52 -4.47

IA-S.MN direct avg ___113.81 -.51

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Hog slg. ___ 375,000 +38k wa -45k ya

Moving on to the grains, it was a very interesting day of trade heading into this morning's USDA report numbers. Wheat was solidly in the red with mild losses, corn was solid green with mild gains and the bean market was back to drawing the hard line in the sand between the distinct differences in old crop and new crop ending stocks projections. Old crop beans trade 30+ higher during the day while new crop and beyond contracts sunk to double digit lower closes.

Crop progress and condition numbers were a mixed bag yesterday. Corn conditions remained unchanged at 73% g/ex. Soybeans dropped 1 point out of g/ex and moved to 70%. The odd thing about that rating change in beans though is that excellent actually improved by 1 point, good lost 2 points with one of those going to excellent and the other moving all the way down to very poor. Overall, the ratings are still bearish in my opinion. Weather is still conducive to good crop development with the 6-10's still showing normal to above precip, although temps went to normal to above as well.

11:00 am central time is the crop production and S&D report release this morning. With August being the first time NASS enumerators take a stab at weighing ears in the deep south where harvest is happening, counting pods and taking a deeper look at populations in all areas, these numbers are very important. Average guesses for corn yield are 170 and the average bean guess is 45.5 bu/ac. Old crop ending stocks are pegged by the guessers at 137 beans and 1.239 corn. New crop stocks guesses are 2.003 bln corn and a whopping 409 mln beans. Keep in mind, it isn't necessarily the big picture of the report that gets market reaction, it is how far away the actual numbers are from the average guesses that gets the knee-jerk reaction.

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