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## **Morning Ag Markets**

### Pete Loewen

There were quite a few triple digit higher closes in the cattle complex yesterday, but it was a flat day for the hogs. Of course, putting that hog trade into perspective, flat is considerably better than what has been happening on most days with futures dropping like a rock and the cash and product markets following suit. Pork cutouts have been lower 7 out of the last 9 business days. Ia-S. Mn cash has been down 9 days in a row. To cap it all off, futures on the spot October have dropped over \$24.00 from high to low since early July.

What is interesting to me has been the comparison of the action between the two competing red meat markets of pork and beef. Cattle futures broke hard in early July as well, but then proceeded to score new all-time highs by the end of the month before falling off again. Hogs appear to have been the clear leader in the break. Not only from a price standpoint in the scope of the total dollars dropped, but in timing obviously as well. With the hog kill expected to exceed 2 mln for the week again, I don't see a dramatic recovery on the near horizon in hogs and fully expect more downward pressure. For that reason, I also think it will be hard for cattle to recover as the pressure from dropping pork prices in the export channels and grocery store shelves makes it tough for beef to hang out at higher levels without falling in sympathy. Increasing carcass weights partially making up for the decreased year-over-year slaughter totals in cattle help confirm more decline potential as well.

Cattle slg. \_\_\_108,000 -6k wa -11k ya

Choice Cutout \_\_255.10 -.44

Select Cutout \_\_246.57 -1.81

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Feeder Index:\_\_\_220.75 -1.46

Lean Index.\_\_\_113.04 -1.66

Pork cutout\_\_\_111.02 -.78

IA-S.MN direct avg\_\_\_101.85 -1.80

Hog slg.\_\_\_ 402,000 +27k wa -22k ya

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Moving on to the grains, Day 1 of the big crop tour had the corn market showing mild gains early in the session, but falling to a consistent string of nickel+ losses across most contracts by the close. Ironically, that came despite a near endless stream of twitter reports from tour participants during the day that made it sound like the crop was in really tough shape in a lot of areas. Reading through the Day 1 summary however, a lot of those reports were obviously coming from some of the more biased participants that were trying to do everything possible to turn the tide bullish, as most of the comments in that summary noted some variability and problems in certain areas, but overall good corn and bean potential from a yield standpoint. Soybeans were able to elude the selling in corn and concentrate more on how tight old crop supplies are in the pipeline. That was evidenced by the double digit higher old crop close in the face of new crop being up just over a nickel. Wheat was mostly lower.

Crop progress and condition data yesterday afternoon showed corn conditions slipping 1 point out of the good category and pushing that down to poor. 72% of the crop is rated g/ex nationwide and 8% p/vp. Soybean ratings improved by 1 point, taking one out of very poor and adding it to good. The soybean g/ex total was 71% and p/vp was 6%. Spring wheat ratings dropped 2 points out of the g/ex category taking the total down to 68%. Harvest progress on the spring wheat jumped to 17% complete, but that is still well below the average for this time of year which is 33%.

Quality issues as well as big transportation issues with the rail market are going to make it very tough to get the spring wheat crop out of the Northern Plains states and that has created some poor basis issues to add to an already deeply depressed price. The other end of that issue is that central and southern Plains

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flour millers were counting on some of that high protein spring wheat to fill the void of a smaller than normal HRW wheat crop this year and that has been a big plus for KC wheat basis. The problem with that for the farmer though is that most of that basis is being reflected at the upper end of the market, meaning basis to and from the miller and not so much at the country elevator level.

6-10 day forecasts last night showed below to much below normal central and northern Corn Belt temps. Temps in the far south were above normal. Precip chances were normal to above for the vast majority of the Corn Belt. In my opinion, that forecast is a mixed bag with the rain being very beneficial and the lack of heat in the north being a detriment. On the other hand, the cooler than normal central Corn Belt temps might be welcome.

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