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## **Morning Ag Markets**

### Pete Loewen

Yet another big, bullish day in the feeder cattle market with two contracts closing over the \$240 mark. It is kind of hard to believe that just a week ago the market was almost \$9 lower on the spot October contract. The index is still trailing the futures market by \$5.63, unable to keep up with the futures gains, but it should get there.

On the feedlot cash side of things, the story has yet to unfold in the negotiations between cattle feeders and packers this week. There was very little trade a week ago and certainly not enough to call it even a mild test. Given the run up in futures, there is no doubt the packer will have to pay up dearly this week, it's just a matter of how much higher?? Anything higher than the last go-round will be painful to them because product prices have only improved very mildly during this huge run in futures.

Cattle slg. \_\_\_112,000 +5k wa -10k ya

Choice Cutout \_\_\_238.45 +.31

Select Cutout \_\_\_227.33 +.15

Feeder Index: \_\_\_235.47 +.51

Lean Index. \_\_\_109.75 +.30

Pork cutout \_\_\_122.42 +.62

IA-S.MN direct avg \_\_\_108.71 unch

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Hog slg.\_\_\_\_ 423,000 +11k wa -10k ya

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Moving on to the grains, we got a nice day in the green for all three markets. There was a decent sized export sales announcement in corn in the daily reporting and weekly export sales were bullish in wheat. The weekly numbers for corn and soybeans weren't anything exciting though, yet we still got the bounce thankfully. In my opinion though, we are still seeing this bounce as nothing other than a short covering rally in a market that is otherwise very burdened with the bearish news of big fall crop harvest numbers coming in on a daily basis.

This morning, Informa comes out with crop production guesses and they have been some of the lower guesses up to this point between some of the major firms. FC Stone put out some gigantic corn and soybean estimates earlier this week. Informa's last guesses were 170.3 in corn and 46.1 in beans. There have been estimates up to 6-8 bushels higher than those numbers in corn already and 2 bushels or more higher in beans. I don't see them coming out with numbers that large as they are typically a little more conservative. The general message that needs conveyed though is that most believe these crop sizes are going to get bigger from here and NOT smaller. I'm in that camp as well.

Stats Canada crop production numbers came out this morning. Durum wheat estimates dropped from 5.0 in August to 4.8 this month. All wheat went from 27.7 down to 27.4 and that was well under the average trade guess. Oats were up slightly, barley down slightly and flax up slightly. Canola production was estimated at 14.0 mmt's compared to 13.9 in August. All of these numbers were very near or even lower than the lowest end of the average pre-report trade guesses.

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