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Commodity Consulting/Brokerage
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Cattle complex trade was triple digits lower in some of the feeder cattle contracts and on the spot month April live cattle contract as well. With that spot April live approaching \$10 under last week's highest price paid in the negotiated feedlot trade, we either need to see futures come back UP in a hurry, or the cash rally could be over. Considering the June futures contract is \$16-\$19 under the bulk of last week's cash action, there should be very strong incentive to get cattle marketed ahead of the switch from April being the spot to June futures taking over. At that point in time, I'm afraid feedlots lose a lot of their leverage in the negotiated trade.

Tight supplies or not, futures are telling a vastly different story about these markets than the cash. Granted, theoretically the cash should be king in price discovery. However, when only a tiny portion of the total cattle killed each week are traded with an actual negotiation between buyers and sellers, what more can we expect?? That's every bit as large a problem as the disconnect between futures and cash, but I don't see that problem getting anywhere but worse as time progresses.

Coming into the week I was optimistic on cash trade, but as futures slip, so does my optimism.

Cattle slg. ___107,000 +7k wa -10k ya

Choice Cutout__259.14 +2.16

Select Cutout___251.05 -.18

Feeder Index:___220.95 -.28

Lean Index.__60.01 +.21

Pork cutout___65.64 +.32

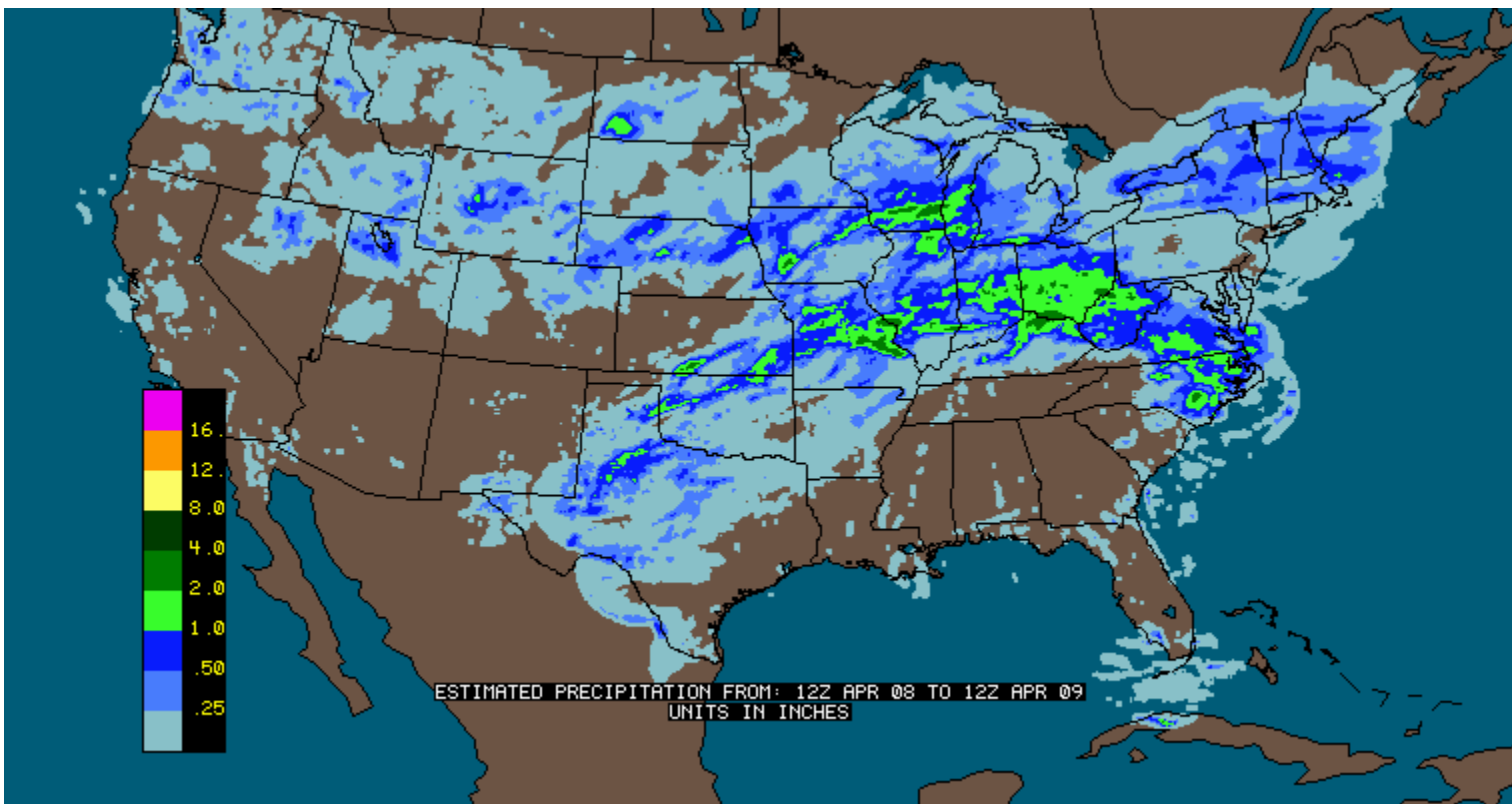
IA-S.MN direct avg__58.10 +.10

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Hog slg. ___432,000 -2k wa +26k ya

In the grain trade, futures ended very flat with the only green on the screen being in the front two months in beans and a few of the Chicago wheat contracts. KC Wheat, where we got confirmation on Monday afternoon that crop conditions were slipping in all the major HRW wheat states, still refused to rally, partly I'm sure due to the weather forecast heading into yesterday evening. It still kind of amazed me given the predicted tracking of the moisture leaving out a huge portion of the some of the heavier struggling dry areas that we just couldn't find enough buyers in that market to give it any support. It did spend a brief stint at higher money early, but gave it all back by the close with the lower finish. I think we have a growing problem with weather forecasters wanting to create drama with their predictions. Regionally, we saw it all winter with huge snow predictions and very little moisture actually received. Late last week and early this week, this current system was supposed to be wheat's saving grace, but I think it was a complete whiff. The futures market obviously didn't see it that way though because we continued under pressure yesterday and last night and this morning again.



Today the USDA releases the April S&D report. After the March Quarterly Stocks numbers, we can expect some changes in the S&D tables. Corn ending stocks are expected to rise to 1.851 bln as the average guess. That would be up from 1.777 in March. Bean stocks are

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expected to drop from 385 mln in March to 371 mln. Wheat guesses are pegged at a very minor reduction to 690 mln from 691 last month. World ending stocks projections are expected to rise over 1 mmt in corn, remain unchanged in beans and drop slightly in wheat.

Along with the world numbers we get South American production updates. Brazil beans are projected to drop slightly to 94.4 mmt's. Argentina beans are predicted 800,000 mt's higher than last month at 56.8 mmt's.

Export sales numbers in the weekly report were horrible in beans, bad in wheat and somewhat neutral in corn. The corn sales total was 25.2 mln bushels old and 2.5 new. Bean sales were negative 6.5 mln old from switches from old to new crop. New crop sales were 18.5. Wheat sales were 11.8 mln old and 1.4 new. Nothing to write home about there either. Finally, milo sales were neutral-ish at 1.9 mln old crop. New crop was friendly though at 8.5 mln bushels.

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