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Yesterday's meat complex trade suffered triple digit losses across most contract months with reasoning in feeders and lean hogs tough to explain. In the live cattle trade, the product market has taken a serious hit over the last two weeks and perhaps futures are just in the beginning stage of playing catch-up to that demand weakness. The problem is, there is a significant amount of catching up to do considering choice cuts have already declined \$5.71 through the first three days this week and \$16.31 since the high on May 19th.

Ten business days and over \$16 is a tough drop considering this is also supposed to be the biggest demand month of the year. Hitting a \$265 high on the choice cuts in May was an enormous bullish move. A move that also helped pull spot June futures up close to \$10 from April to May into new recent highs and it helped hold negotiated cash feedlot trade within a couple of dollars above and below the \$160 mark as well through that timeframe.

Now that product has apparently fallen out of bed the question is- can cash and futures resist the bearish spillover? Supply bulls are still touting the tight numbers of market ready cattle will keep things supported in coming weeks and months. But, now that the product has accelerated to the downside the demand bears are collecting more ammunition. If those product prices don't find a bottom soon, I don't see packers being willing to accept negative margins for too much longer before having no choice but to pay lower money for cattle.

Cattle slg. ___111,000 -6k wa -6k ya
Choice Cutout__249.28 -2.31
Select Cutout__239.80 -1.55
Feeder Index:___223.61 +.55
Lean Index.__82.39 +.24
Pork cutout__86.52 -.85
IA-S.MN direct avg__80.11 -.28
Hog slg. ___418,000 -7k wa +9k ya

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Moving on to the grain trade, big swings were the theme of the day in the grain as solid higher early action gave way to lower trade late. Corn managed to rebound to slightly positive closes, but the soybeans and wheat stayed lower at the settlement. With the strongly higher early trade, the wheat market looked like it was going to close a third consecutive session of strong gains that began directly after the frost/freeze event of the Canadian Prairie over the weekend. That obviously wasn't the case.

With wheat crop production prospects still very much an uncertainty, particularly in HRW wheat country, it really shouldn't be much of a surprise that volatility has picked up several notches over the last 3-4 weeks. Informa pegged US winter wheat production at 1.48 bln bushels yesterday in a news release, which would be 9 mln above USDA's last estimate and really not enough of a change to warrant market reaction. On the flipside, with all these persistent heavy rains over parts of the Central and Southern Plains, quality and harvest concerns are actually causing some analysts to think USDA might even trim their production forecast in this month's report that is released next Wednesday. Informa specifically pegged HRW wheat production at 867 mln, which is 14 mln higher than USDA's May number.

Informa also put out South American corn and soybean production estimates and pegged Brazil beans at 95.5 mmt's, which is 1 mmt's higher than their estimate from last month. They pegged Argentina beans at 60 mmt's, up 1 mln as well and that's the highest Argy bean number I have seen thus far. For a crop that 60-90 days ago the internet permabulls were saying was badly damaged in the north from flooding, 60 mmt's is a giant. They also revised Argy corn production up 1mmt's to 25 mmt.

Weekly export sales data released this morning just before the overnight close showed bearish numbers in corn and wheat and mildly friendly in beans. Corn sales were a dismal 18.3 mln old crop and negative 2.2 mln new. Milo sales were bearish as well at 1 mln old and zero new. Soybeans were 4.8 mln old crop, which is friendly, but not bullish. New crop sales looked really good though at 12.8 mln. Wheat sales, which should be the last numbers for the old crop marketing year were negative 700,000 old and +13.4 mln new crop.

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