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Lean Hog futures settled mixed yesterday with the front months mildly lower and the back months mildly higher. Live and Feeder Cattle trade was solidly higher with the fats having several contracts up in the triple digits and feeders with just moderate gains. It is very supportive to see the live cattle market hanging in there and acting very resistant to catching any spillover bearishness from the product market. Choice and select cutouts continue to show signs of weakness with both quotes off again yesterday.

Choice specifically has fallen more than \$21 since the middle of last month. At the same time, cash prices paid to cattle feeders has remained fairly consistent in the upper \$150's to \$160 range, meaning packer margins have been spiraling lower at very a rapid pace. The fact beef packers haven't been able to thump the cash market lower is a very strong testament to the supply bullishness of the market. It's the end consumer demand, as well as export demand that continues to concern me. If product can't find support, I'll lose faith in the ability of futures and cash to hold up, so we better see some improvement in the choice and select soon.

Cattle slg. ___112,000 -2k wa unch ya

Choice Cutout ___244.11 -.54

Select Cutout ___236.31 -1.26

Feeder Index: ___225.96 +1.48

Lean Index. ___82.37 -.07

Pork cutout ___85.24 -.32

IA-S.MN direct avg ___78.81 -.49

Hog slg. ___422,000 +2k wa +60k ya

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In the grains, continued fund short covering along with a weaker dollar helped propel nice gains. Wheat futures gained in the double digits on most contracts and corn and beans weren't far off nickel gains in most months.

Export inspections were a little soft in corn and wheat, but decent in beans. Corn shipments were 29.2 mln bushels, 11.1 mln in wheat and 8 mln beans.

Crop progress and condition numbers had winter wheat ratings off 1 to 43% g/ex. HRW wheat states were unchanged, but soft wheat dropped 1 point. Harvest progress was 4% complete versus 10% normally with the lion's share of the sluggish pace coming from fighting mud and rains. Corn conditions were 74% g/ex, unchanged from last week and soybeans showed 69% g/ex in the first rating released for this crop season. Compared to last year's start at 74% g/ex, we're a little behind. Planting pace in beans moved up 8 points to 79% complete and that was under the expectations and a little friendly beans.

Tomorrow morning at 11:00 we get the June Crop Production and S&D numbers out from USDA. Average guesses for winter wheat production are 1.469 bln bushels, down 3 mln from last month. HRW wheat specifically is pegged at 852 mln, down 1 mln. Soft wheat average guesses were 414 mln, down 2 mln from May.

Ending stocks forecasts for old crop are 1.858 bln corn, up 7 mln from last month, 342 mln bushels in beans, down 8 mln from last month and 715 mln wheat, up 6 mln. New crop stocks are pegged at 1.758 bln corn, 485 mln beans and 791 mln wheat. World old crop stocks are expected to be very close to unchanged from last month and not much expected on new crop either.

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