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An enormous drop in stock and equity market trading Sunday night and into Monday morning spurred some big time volatility in the grain and livestock markets. Live cattle futures were down well over $2 in all contracts at one point and closed there in all but the front month August. Feeder futures were dealing with expanded limits after Friday's fallout and the opening was nothing short of disastrous looking with some contracts down over $6.50 from Friday's close and Friday was $4.50 lower.

Evidently the only commodities that traders saw any value in owning yesterday were corn, wheat and hogs. Everything started lower, but those were the markets that resisted the urge to remain lower into the close. In fact, the front two month in hogs settled limit up.

The irony behind the huge drop in cattle over the last two sessions…, it has very little to do with cattle market fundamentals. Granted, the cold storage report from last Friday was bearish beef, but it was also bearish hogs and the hogs finished limit up yesterday. Frozen beef supplies in July were up 24% from a year ago while pork was up 19% and poultry 13% larger. COF numbers were a mixed bag without any major surprises. The On Feed total was 103% which was ½ point larger than the pre-report estimates. Placements were 2 points under the estimates at 99% and marketings were 97%, which was right on the guesses.

The slightly larger On Feed supply balanced out the lower than expected placements, but once again, specific cattle market fundamentals weren't the driving force behind market action yesterday. The driving force was the macro dynamics of China's economy faltering and the US stock and equity markets getting hammered with a vengeance, along with energies and the US dollar index. The panic in those outside markets will take a while to wash and adjust. For instance, crude oil has now moved below cost of production in nearly every region in the world. It spurred a call for an emergency meeting of OPEC countries. I guess if crude futures won't go up, they'll find a way to force them up.

Cattle slg.___109,000 +4k wa -5k ya

Choice Cutout__244.31 -.59

Select Cutout___233.98 -.90

Feeder Index:___214.31 -.94

Lean Index.__78.89 -.20

Pork cutout___88.05 +.37

IA-S.MN direct avg__74.84 -.14

Hog slg.___433,000 +10k wa   +20k ya

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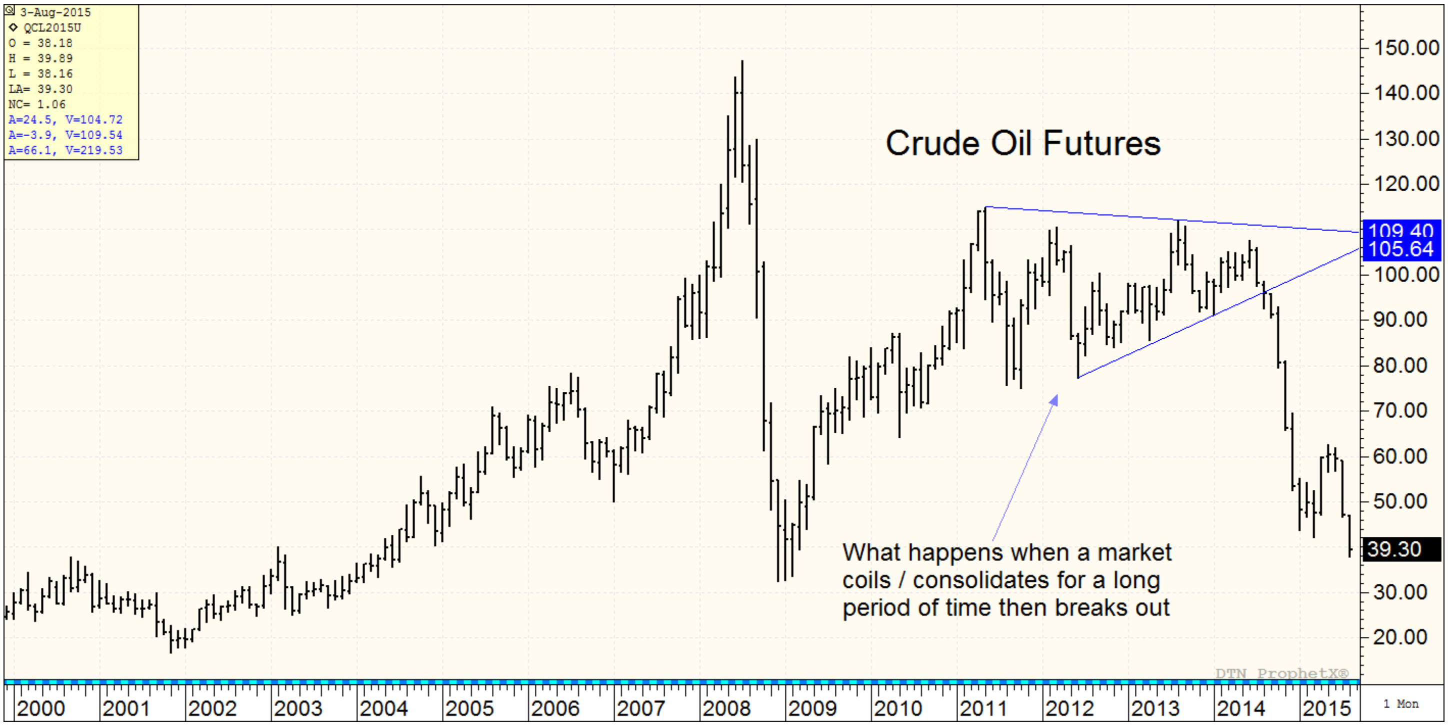
I thought it was very impressive to see the wheat and corn markets rally in the face of the heated selling in all the other markets yesterday. Once again though, I also feel it was a day to throw fundamental direction and drive out the window. Corn fundamentals are at a crossroads right now, but wheat is still bearish.

Crop progress and condition numbers came in about as expected for corn and soybean ratings yesterday. The overall corn condition was unchanged from last week in the g/ex combined at 69%. However, the excellent took one away from the good, so the actual rating did improve some. Soybean condition ratings were completely unchanged at 63% g/ex. Nationwide, corn in the dough stage was 85% versus 81% on average for this date. % dented was 39% compared to 43% on average. Soybeans blooming was 96% versus 98% normally and the percent of the crop setting pods was 87% versus 88% normally. Spring wheat harvest was listed at 75% complete versus 47% on average. In the state by state breakdowns, corn and soybean harvest progress in the southern and southeast US was at or ahead of normal pace in most states. Texas is almost 50% done, Georgia, Alabama and Mississippi are well over half way complete. Soybean harvest was ahead of normal with Miss. 8% done vs 5% on average and Louisiana 15% done versus 11% aveage.

8:00 am daily export reporting showed 210,000 mt's of US beans sold to unknown destination.

6-10 day forecasts were showing above normal temps across the entire Plains and Corn Belt. Precip was pegged at below normal central and south and above normal in the far northern Corn Belt stretching into NE North Dakota.



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