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Wednesday was yet another day of heavy volatility in some of the outside markets as well as in the ag commodities. Interestingly enough though, the recent common theme of outside market action spilling into the grains and livestock and moving in the same directions wasn't the case yesterday. Instead, stocks were up and most of the ags were down. Feeders and fats were down sharply at one point, but recovered quite a bit into the close to settle still in the triple digits in most contracts to the downside, but not the \$2.00+ lower quotes that were posted earlier in the day.

It's been a tough grueling ride recently for both the fats and feeders. Technicals on the charts look absolutely terrible, but when trying to add in fundamental analysis of the drop, the severity is way overdone to the downside. With macro outside markets the driving force in the initial surge lower though, for the time being it probably will pay more to keep a closer eye on the technicals than the fundamentals, at least in the deferred contract months. When we have spot live and feeder cattle futures expiring today in feeders and on the last day of the month next week in fats, there IS some fundamental pull in those markets because of the cash settlement mechanism in feeders and delivery potential in fats. That has also created a massive discrepancy in normal price relationships between spot and next month out futures though. Sept feeders have moved to well over \$10 below the spot August. October live cattle are trading at a discount to the August. Those relationships are NOT normal and it's not fundamentals creating them from the perspective of why the deferreds are out of whack.

Cattle slg.___108,000 +1k wa -8k ya

Choice Cutout__244.24 +.38

Select Cutout__233.60 -.20

Feeder Index:___212.34 -.84

Lean Index.___78.79 unch

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Pork cutout___85.83 -3.36

IA-S.MN direct avg___74.44 -.36

Hog slg.____426,000 +6k wa +12k ya

Grains traded some on both sides of unchanged, but during the day session corn and beans spent far more time at lower money than higher and closed under solid pressure. Wheat finished mixed and one highlight of the wheat trade was KC and Minneapolis wheat finally gaining some on the Chicago. Chicago contracts settled 4-5 lower and most of the other classes of wheat finished mildly higher. While I agree that HRW and HRS wheat should actually be holding solid premiums over the Chicago (which translates into my agreement with yesterday's price action in the spreads), I don't necessarily agree that wheat should be moving higher. US wheat is still trading at a sharp premium to competing world exporters. Weekly US export sales were terrible for months, they briefly improved some when futures tanked into new lows, but have gone back to weaker over the last 2-3 weeks. Historically strong wheat export sales are a number well over 20 mln bushels on a weekly basis. We have seen single digits at times over the last several months and a lot of numbers between 10 and 20 mln on a weekly basis.

For the corn and soybean trade, everyone realizes the influence of the outside markets at this point, but the sideshow is the continued argument over whether USDA's next yield numbers in the upcoming September Crop Production report will be higher or lower, with most siding in the camp of lower. Adding even more uncertainty is the recent release of prevent plant acres and the normal yearly argument that FSA numbers and NASS numbers in reports just don't add up. The fact is, they seldom if ever add up perfectly, but everyone wants to cuss and discuss it every year in dispute. I really wish someday we could put that disparity to rest.

Weekly export sales data this morning was bearish beans and corn and neutral to a little negative in wheat. These sales were for the week ending August 20th, so there are two more weeks of data before the official end of the marketing year in these weekly reports. Corn sales were a negative 5.2 mln bushels and 38.8 mln new crop. Milo was 1.9 mln old, which was encouraging but new crop sales were negative 1.8 mln, taking any friendliness away. Soybeans posted negative 4.8 mln in old crop, but a whopping 53.6 mln new crop sales. Wheat showed 19.4 mln bushels in sales. From what I mentioned earlier, that is the top end of what I would consider disappointing and pretty close to what I would call decent if it was in the 20+ mln range. That's why I am calling this week's wheat sales neutral.

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6-10 day forecasts last night were calling for above normal temperatures everywhere. Precip was below normal in the central and southern plains, normal over most of the corn belt and into the eastern US and above normal in the Dakota's and Minnesota.

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