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The highlights of Wednesday's trade in the ag markets were a big up day for the wheat and a giant down day for the live and feeder cattle futures. All the rest of the markets were fairly quiet, although corn and beans being up made the whole grain complex trade green and hogs being lower made it solid red for the meats as well. Live and feeder cattle futures had most contracts closing limit down which meant $4.50 in Feeders and $3.00 in fats. That means expanded limits today.

The driving force for the major downturn in my opinion- well, unfortunately bad demand has finally trumped tight supply of live animals. In last year's major rise in futures and cash markets I often used the term irrational exuberance because the fundamental supply and demand data when combined didn't justify the extreme high price levels being traded. Instead, the mentality and hype being instilled in people's brains was "buy anything you can get your hands on NOW, because there won't be any cattle left to buy if you wait till next week or next month". That false euphoria had people paying well over what they needed to in order to break even or make a little money on the cattle being bought. However, more often than not because of how aggressive the futures and cash were moving higher, a lot of those cattle were making money by the time they were sold even if they weren't hedged.

Well, the tide has now turned. Cattle that were bought with first cost losses, at breakevens, or even with some profit potential in them that weren't risk managed in any fashion are now giant losers and a huge chunk of the equity banked on the way up is evaporating very quickly. Backgrounders, grazers and cattle feeders that treated the cattle business <u>like a business</u>, risk managing on the way up last year AND on the way down this year have been immune to that fiasco for the most part. Not totally immune mind you, because there were quite a few points where it just hasn't been possible to buy cattle that had any prayer of making any money based on deferred futures prices at the time or purchase. And at those times, you just don't own any cattle… Those folks bypassed the windfall gains going up, but have bypassed the windfall losses on the way down too.

The big buzz around the market yesterday was relating to cash and the apparent threat of buyers that cash contracted calves or feeder cattle last spring or earlier in the summer for fall delivery at levels MUCH higher than today's prices mind you, may be contemplating backing out of those contracts, trying to stick the sellers with a giant hickey. Unfortunately, that's part of counterparty risk in using cash contracts. Huge shame and unscrupulous business practice on any buyer for backing out, but it's happened before- so this won't be the first time.

Cattle slg.___110,000 -1k wa -4k ya

Choice Cutout__217.89 -4.88

Select Cutout___213.51 -3.28

Feeder Index:___196.84 -.07

Lean Index.__71.74 +.31

Pork cutout___82.63 -.87

IA-S.MN direct avg__68.82 -.18

Hog slg.___424,000 -7k wa +7ya

On a final note in the cattle, there has been some negotiated cash in the north this week at sharply lower levels once again. Beginning Tuesday, Nebraska had some $206 dressed trade that broke all the way to a low of some $201 trading yesterday. That's $9 lower week to week. Live sales were in the $130 range, which was down $5 from their last trade.

Tomorrow afternoon we get quarterly hog and pig report data released. The estimates are showing all hogs at 103.5% of a year ago, kept for breeding numbers at 100.2% and market hogs at 103.8%. Those guesses have a mildly bearish undertone.

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As indicated previously, grain and oilseed action was all higher yesterday. For wheat, I don't have much reasoning for the bump up. Granted, the threat of an acreage reduction because of poor prices for next year's new crop wheat versus current input costs has some friendly merit. Plus, wheat futures have been grossly oversold for a long time. However, the US and the world have a more than adequate supply at the moment AND in the case of the US, it is way overpriced relative to other competing world exporters, so technically the fundamentals are still bearish.

Weekly export sales data this morning was really good for beans and really bad for corn and wheat. Soybean sales were 48.4 mln bushels which should be viewed as bullish. Corn sales were 16.8 mln which is bearish. Wheat sales were bearish as well at 10.4 mln. Milo was 2.3 mln which I would view as neutral.

Daily export reporting showed a 313k mt sale of soybeans to unknown destination.

It's good that exports are showing friendly data for beans because the early harvest reports have been better than expected through most areas reporting. Bearish production being offset by bullish exports is a delicate balance. So far the corn harvest reports have been below expectations more often than above. That may be friendly from a production potential standpoint, but unlike soybeans, we're having a tough time gaining export interest for our corn.

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