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Wednesday's cattle market action was a little wild at times and the meats as a whole all closed with one common theme and that was bull spreading being the prominent feature (bull spreading meaning traders buying the front months and selling the deferred contracts). Front months of live cattle, feeders and hogs were all up, while the back months were lower.

That strength on the front end of cattle was also being aided by higher cash thoughts this week once again, as well as another strong close in the cutout values. Choice beef cutouts have closed higher 4 out of the last 6 business days, while the entire month of September was spent with only 1 higher finish and all the rest were down. There is a lot of ground to make up in that product action though because the month of September included choice cuts falling $33.62. For the month of October thus far, the choice is up $1.99. So, before you buy into any rambling that the product market is on fire to the upside, keep in mind it also went down in flames last month. Just remember, the higher it goes the tougher it gets to justify. Reason being, the cattle/hog spread in price had just made it back close to the high end of historical normal ranges. Cattle taking off to the upside either needs a strong following from hogs, or the beef rally will all of the sudden become really tough to justify again fundamentally.

Cattle slg.___112,000 -1k wa +3k ya
Choice Cutout__210.61 +2.15
Select Cutout___205.62 +2.28
Feeder Index:___186.35 +.83
Lean Index.__74.94 +.09
Pork cutout___88.43 -.49
IA-S.MN direct avg__72.12 -.46
Hog slg.___435,000 +2k wa +6k ya

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Summarizing the week a little bit, grain and oilseed trade was really strong in some contracts on Tuesday and honestly didn't have a lot of fundamental drive in either direction, yet we got that big strength particularly in soybeans and wheat. Yesterday reversed to all red with some wheat contracts down in the double digits. Soybeans only showed very mild losses. Not a lot of fundamental rhyme or reason behind that either.

Technically the soybeans and wheat look pretty good. Fundamentals, not so much. In soybeans, that statement is eluding to large projected US ending stocks as well as extremely large world stocks levels. That's the bearish tone. The bullish side is the fact soybean exports continue to perform very well with shipments actually exceeding the year ago pace already despite the fact commitments are behind year ago totals. Wheat isn't so fortunate on the bullish side. Granted, it's dry across a large portion of HRW wheat country for a crop that's just getting planted and established. Ending stocks projections domestically in wheat are bearish in the US and bearish in the world picture as well. Plus, US wheat exports have been dismal at best lately, plagued by US wheat trading at considerably higher values than that of other competing world exporters. Despite all those factors stacked on the bear side in wheat, the last 5-6 weeks have entailed a very nice rally in futures in all three US markets from KC to Chicago to the Minneapolis futures.

6-10 day weather forecasts were calling for above normal temperatures across most of the US, along with above normal precip as well. Hopefully some of that moisture actually hits across wheat country. Not very good for harvest progress, but really good for establishing a stand in newly planted wheat.

EU's Strategie Grains put out crop production estimates that put soft wheat production at 149.5 mmt's compared to their last estimate of 147.5 and last year's 149.1. Their corn production estimate was 57.6 mmt's, up from 57.4 last month, but down sharply from last year's 75.9.

Egypt tendered for an unspecified quantity of wheat yesterday. The cheapest wheat prices posted so far are from the Black Sea region with US offers not even in the running because they are priced so much higher. .

We had a BIG daily soybean sale announcement yesterday, but weekly sales are delayed until tomorrow this week due to Monday's government holiday.

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