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Almost everything ag was hit with red ink yesterday in the closes. Grain and oilseed trade was lower. Cattle and hogs spent a little bit of time higher, but finished lower across the board, albeit only mild losses on most months.

Since the midweek Fed Cattle Exchange trade that had a weighted average of $118.77, there hasn't been much interest in live trade. Packers are struggling from sour margins and have cut kills back in some areas as a result, while feedlots have lighter offerings and are looking for higher money. That internet trade was $1.17 higher than last week and I would assume the remaining negotiated cash will be higher as well.

One problem developing is the strong discounts of deferred futures contracts in the fats. That's a huge disincentive to carry cattle over each week and it's going to make the next couple of weeks of cash negotiations a pretty tense situation. There's valid arguments on both sides between the packer and feedlot for both higher and lower trade. However, as numbers start to rise versus year ago levels into spring, lower is going to be the path of least resistance.

One bright spot in the cattle complex is shining on the cow/calf folks as calf prices continue to defy futures market movement. The push for summer grass folks to find numbers to fill pastures this spring continues to drive calf prices higher. Plus, a lot of the prices being paid don't pencil very well against August feeder cattle futures. That market is definitely a seller's market, favoring the people selling the calves, not so much for the buyers.

Cattle slg.___ 96,000 -17k wa -12k ya

Choice Cutout__189.22 +.88

Select Cutout___188.19 +1.04

Feeder Index:___128.02 -.41

Lean Index.__ 75.98 +.67

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Pork cutout___84.42 -1.06

IA-S.MN direct avg__74.34 +.15

Hog slg.___408,000 -34k wa   -30k ya

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In the grain and oilseed trade, KC wheat and soybeans got kicked in the teeth a little bit yesterday suffering double digit losses in both markets. Export sales were bullish across the board yesterday morning with corn 30.8 mln bushels, beans 32.7 mln and wheat 20.9 mln bushels. Those numbers obviously had no bearing on the trade. Realistically, the gains from the previous day in soybeans were somewhat overdone in the first place. Bean bulls can't lose sight of the fact Brazil harvest is rolling along at a much faster pace than normal. Plus, US bean prices on new crop spending a lot of time above $10 have consistently led to projections for a marked increase in planted acres this spring.

One caveat that changed for that picture this week though was the fact corn futures broke above the $4 barrier. If new crop corn can spend some more time above that "4" handle and if spring wheat could somehow manage to creep above $6 on the September contract, the dynamics of that bean acre shift might change some. $6 spring wheat might pull some more northern acres back into wheat. $4+ could easily shift some back into corn as well. We're at that level in corn. Spring wheat has another 30-40 cents higher to go before that becomes a factor up north. That might be a tough task to accomplish with bearish wheat fundamentals from last year's crops.

6-10 day weather last night continued to show above to much above normal temperatures in the Plains and Corn Belt. Precip was below normal from southern Kansas to the south. Normal to above was pegged everywhere north of that line.

8 a.m. export reporting showed 194,112 mt's of US corn sold to Japan. Of the total, 60k mt's was old crop and the balance new crop corn.

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