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Commodity Consulting/Brokerage
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Yesterday marked the 5th straight session of higher prices in the June Live Cattle with \$9.40 gained over those days. It was the 5th straight up day for front month August Feeders as well, with a remarkable \$12.92 added to its price in that same timeframe. The settlements had a couple of deep deferred feeders up over \$3, fall and winter contracts up \$2 and the August, Sept and October futures more than \$1 higher. Live cattle showed only mild gains from August out to the Feb, but \$1+ higher closes in April and June of next year, along with the spot June.

If you turned the clock back about 5-6 months, I'd say the majority of the industry would have said we had a better chance at sub-\$100 cash in June than \$120+, yet here we are with futures solidly over \$130 and cash peaking at \$137.50 last week, actually gaining \$5 and trading back to levels last seen the 2nd week of May. Pretty impressive action to say the least and ironically it is action that has been solidly led by demand.

In the feeder cattle and calf market trade, both Joplin and Oklahoma City sales were sharply higher than their last action, which was two weeks prior due to last Monday being Memorial Day. So, compared to two weeks ago, Ok City was 10-14 higher on feeder steers and 6-10 better on heifers. Calves were only lightly tested but the heavier end brought 10-15 higher than the last sale. Joplin prices were 5-10 higher on steer and heifer calves, although the under 450 lb class was 10-12 higher. Yearlings traded 7-10 higher. Runs at both sales were mild to moderately larger than year ago totals.

Cattle slg. ___ 116,000 holiday week ago +6k ya

Choice Cutout ___ 245.24 -.34

Select Cutout ___ 218.06 +.84

Feeder Index: ___ 152.31 +2.51

Lean Index. ___ 77.90 +.56

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Pork cutout___91.18 -.22

IA-S.MN direct avg__75.63 +1.36

Hog slg.___ 440,000 holiday week ago +12k ya

In the grain and oilseed trade, corn and soybeans finished higher, but trade was pretty lethargic late in the session, losing some of the earlier gains. Wheat was unchanged in Chicago, solidly higher in Minneapolis and lower in Kansas City. Spring wheat, which is the Minneapolis is gaining steadily on the HRW and SRW wheat contracts due to mounting dryness and production concerns in the Dakotas. In the KC Wheat, harvest pressure is likely the culprit for a lower finish and that comes in the face of harvest reports continuing to cite quite a few lower than expected yields along with a definite shortage of milling quality, high protein wheat. That's exactly what happens when we get cool and wet for an extended period of time.

Weekly export inspections were bullish corn, bullish beans and what I would consider neutral to bearish wheat. Corn inspections were 46.3 mln bushels, beans were 10.2 mln. Wheat was 19.2 mln total, but 3 mln of that was new crop, so the old crop total was 16.2 mln. Therein lies the dilemma for wheat exports. USDA cited somewhere in the vicinity of 70-90 mln bushels of the total commitments for the marketing year yet to be shipped in last week's export sales tally. This was the last inspections report of the old crop marketing year. 16.2 mln means we theoretically won't hit the export projection in the next S&D report, **but** I'm sure USDA will change that with some creative math.

Crop progress and condition data showed 96% of the US corn crop planted compared to 97% pm average. Soybeans were 83% planted compared to 79% on average. Crop condition ratings still haven't begun in beans, but the corn rating came in at 68% g/ex, up from 65% last week and down from 75% a year ago. As a whole in the big corn states, Minnesota, Iowa and Nebraska have good conditions, but Illinois and Indiana are struggling from being too wet for too long.

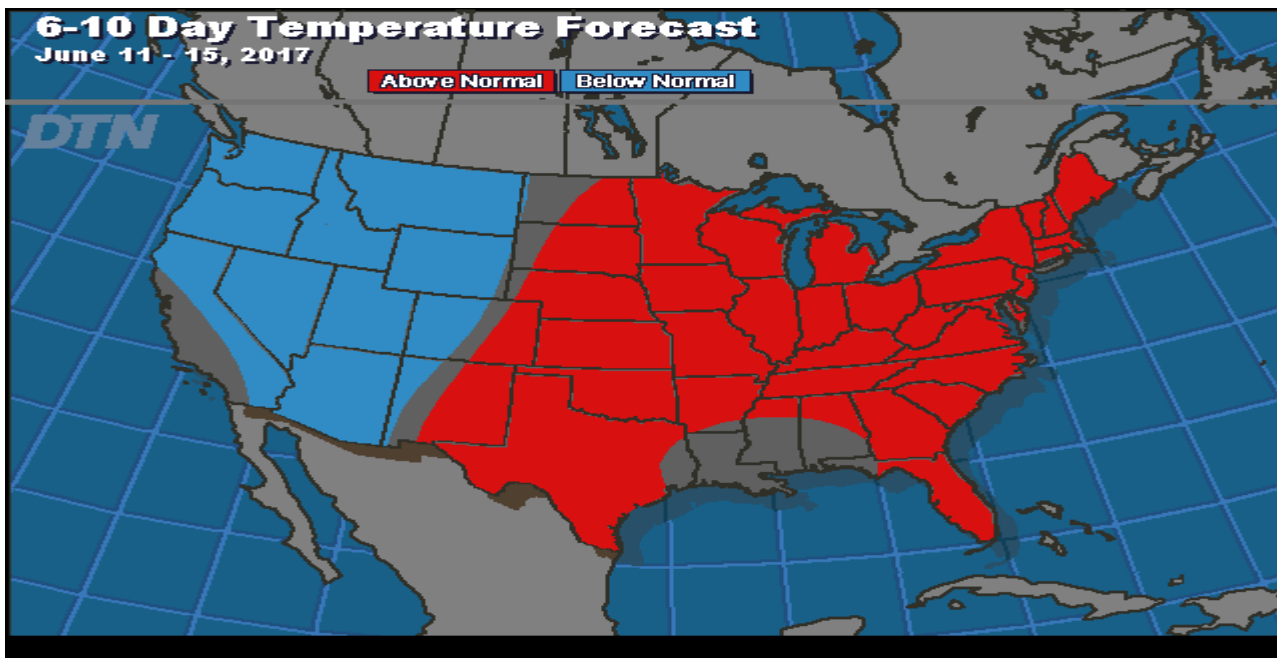
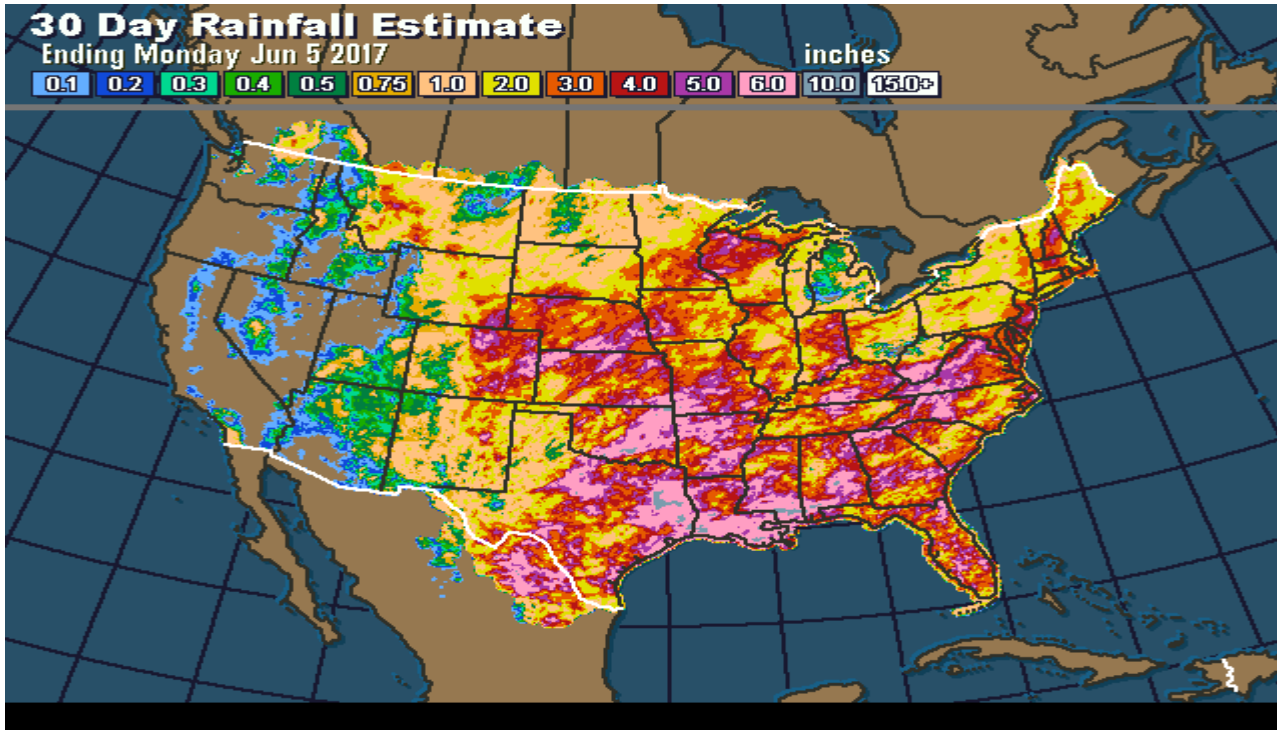
Winter wheat condition ratings showed 49% of the crop rated g/ex, down 1 point from last week and 13 points under last year. South Dakota took a nosedive from the previous week with only 29% g/ex listed. Their spring wheat rating is 25% g/ex, with North Dakota coming in at 52% g/ex. This is a very rapidly developing story for the Dakotas and their struggling wheat crops, along with newly planted corn and beans. The US needs milling quality, protein wheat. If we aren't getting it in the HRW wheat crop reports yet and the Dakota's where high protein spring wheat is grown are struggling, where is it going to come from?? Protein premiums could be huge this year, but by the same token, lower protein wheat is likely still going to be staring at

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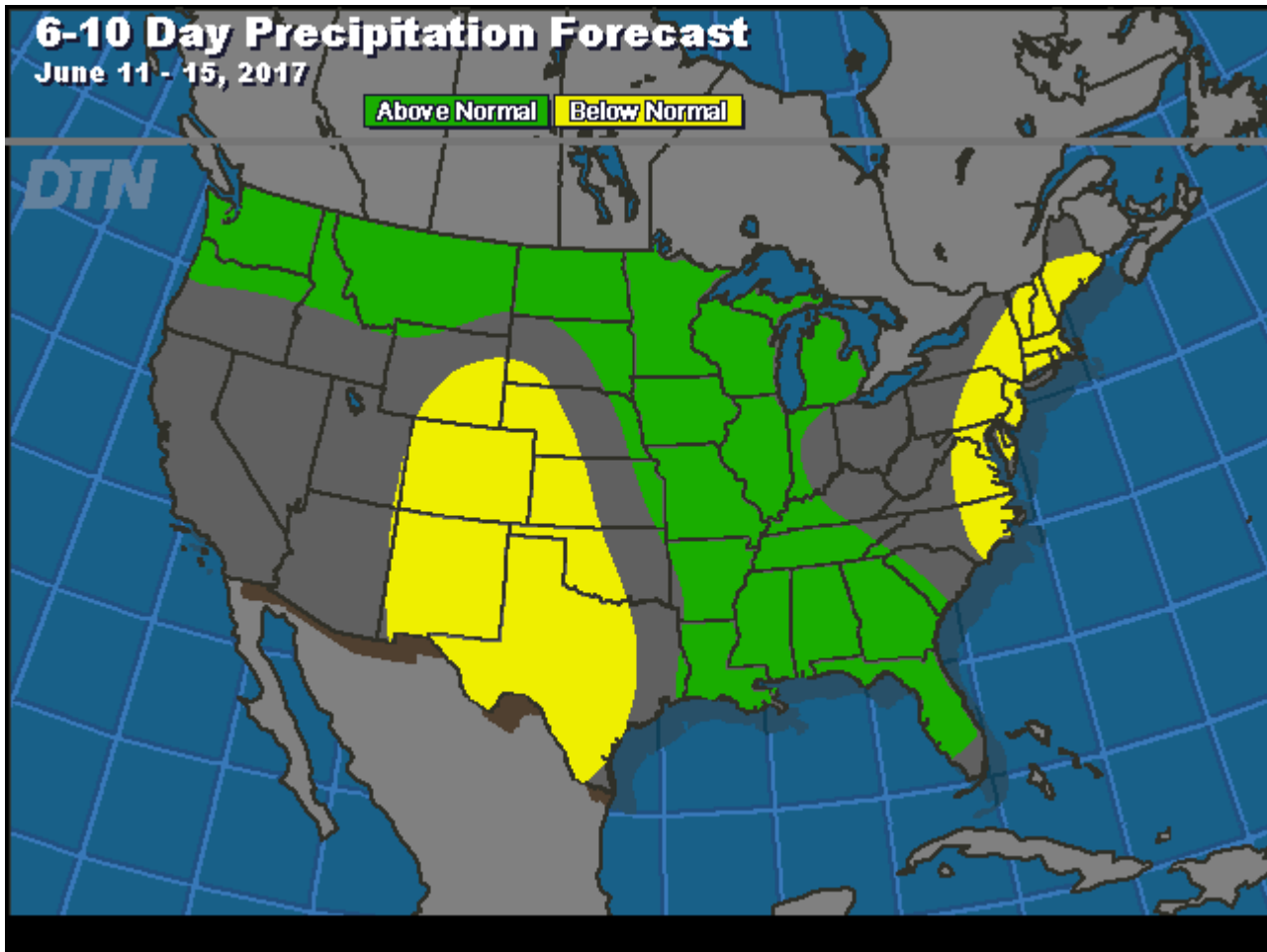
really bad basis levels because we're just struggling too hard to raise anything with protein quality.

In South American news, Informa increased their Brazil bean crop estimate to 114.5 mmt's yesterday and Argentina to 58 mmt's. They also raised Brazil corn to 96 mmt's and Argy corn to 40 mmt's. That's bad news for US fall crop markets.



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