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The entire ag complex was mired in red ink yesterday with grains down in the double digits and some meat complex futures touching limit down. It was definitely gut-check time in cattle. When corn is down in the double digits and feeder cattle are down \$4 at the same time, things are a little crazy.

Front end June live cattle sat there pegged at limit lower for a while, which is down \$3. Versus the top end of where cash feedlot action traded on Friday, it left the current spot basis at +\$8.65. That's a June board at \$128.35 and cash at \$137. Once again, we're right back to a market that often times makes zero fundamental sense on a day-to-day basis, creating an immense amount of frustration.

I have been really impressed with the ability of the cash feedlot trade to hang in at the \$137 level for two weeks straight. Product trade is back to seeing gains as well. When heavy selling is hitting nearly everything in the ag's though, it forces you to step back and look at the bigger picture. That analysis states that yesterday's action was highly unwarranted and on the front end June contract at least and also in the feeders, down side is very limited unless cash were to collapse.

Cattle slg. \_\_\_ 117,000 +1k wa +7k ya

Choice Cutout \_\_\_ 252.52 +1.31

Select Cutout \_\_\_ 221.77 +1.48

Feeder Index: \_\_\_ 154.15 -.76

Lean Index. \_\_\_ 80.59 +.57

Pork cutout \_\_\_ 93.14 +.69

IA-S.MN direct avg \_\_\_ 78.86 +1.22

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Hog slg.\_\_\_\_ 411,000 -29k wa -14k ya

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Grain and oilseed trade, once again was under heavy pressure yesterday with corn, wheat and soybeans all trading in double digit lower territory at times. There's an old saying in the grain and oilseed trade that "a weather market is only as good as the next forecast". Over the weekend, moisture chances were increased for the Northern Plains, as well as good short term chances pegged for 1"-2" rains across a good portion of the Corn Belt. The market response was sharply lower, taking out a big chunk of weather premium that was added last week.

For the overnight trade being higher, I'm going to guess that crop condition data trumped the forecasts for more rain. The national corn condition rating came in at 67% g/ex, versus 68% last week and 75% last year. Fair also lost 1 point, taking the p/vp rating up to 8% from 6% last week. In the big four corn states, Illinois conditions dropped 1 point out of g/ex, Iowa was unchanged, Nebraska was down 1 point and Minnesota got 1 point better.

The first soybean crop condition rating of the year showed 66% g/ex and 6% p/vp. Last year we were at 74% g/ex and 4% p/vp.

Winter wheat harvest moved to 17% complete nationwide, up 7 points from last week and 2 points ahead of normal. Texas was 72% complete versus 38% normally, Oklahoma was 52% done compared to 39 on average. Kansas ironically was only showing 4% done versus 13% normally. Odd that we're behind when Texas and Oklahoma are so far ahead... Winter wheat condition ratings got 1 point better, improving to 50% g/ex compared to 61% a year ago. With that being said, South Dakota's winter wheat rating still dropped 8 points down to 21% good and zero excellent. Spring wheat condition ratings dropped 10 points in one week to 45% g/ex versus 79% last year. North Dakota dropped 9% to 43% g/ex and South Dakota dropped 12% down to only 13% g/ex. 12 of those were good by the way and only 1 excellent.

This lack of protein story we've touched on in the past for this year's winter wheat crop is rapidly unfolding now and getting even more dicey given the fact North and South Dakota's spring wheat crops are in bad shape. Minneapolis spring wheat futures are already \$1.55/bu higher than KC in the September contract and it will likely go even wider. Along with that we're probably going to see growing discounts for HRW wheat in the form of weaker basis in some areas, whereas the spring wheat premiums have the potential to explode. A lot of that is going to be dependent on what the final protein analysis is for the HRW wheat crop, but the early reports are even worse than last year thus far.

6-10's last night showed below normal temps from central Iowa through Minnesota and Wisconsin, touching the northern part of Illinois and eastern edges of the Dakota's. there was a

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small band of normal temps around that, but the Central and Southern Plains, along with the Delta and Southeast were all above normal on temps. Precip was normal to above for the Central Corn Belt, above normal east. The Western Corn Belt and the entire Plains from north to south was below normal on precip. Good wheat harvest weather, but not very good corn and soybean development weather in the central and west plains.

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