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## **Morning Ag Markets**

Pete Loewen

Tough start to the week for the cattle complex. Live and feeder cattle futures both had contracts down in the triple digits at times, although nothing settled that deep in losses. Front month August feeder cattle actually managed a mildly higher close and that probably got some help from grains showing solid red ink. The rest of the feeder contracts were all lower.

Negotiated cash from the last half of the week was down \$3.00 from the previous week, choice product is back to moving lower, plus Japan slapped a 50% tariff on US frozen beef imports for the remainder of the year. Those are all challenging the bulls right now. One good factor though is the \$5 positive basis between last week's \$117 feedlot cash and yesterday's \$112 August live cattle futures close. Basis was +\$2.70 on Wednesday when the trade was happening. I'd much rather see positive than a basis flip to negative, but sometimes that positive basis leads to hedged cattle feeders tripping the trade a little earlier than some would like.

Given the fact placement activity into feedlots has been double digits larger than year ago totals over the last four months, there will continue to be strong incentive to keep marketings aggressive. In the last couple of weeks though, futures have moved closer and closer to putting a carry in prices. October live cattle settled at only a 5 cent discount to front month August yesterday. The December contract was \$1.20 premium and Feb was \$1.85 over the Dec. With that placement activity elevated, 3rd and 4th quarter availability is going up, not down, so it's very important that demand doesn't falter during that timeframe. If it does, that premium is going to go away very quickly and force cash lower, as well as futures.

Cattle slg. \_\_\_ 111,000 -1k wa +2k ya  
Choice Cutout \_\_\_ 205.75 -.47  
Select Cutout \_\_\_ 197.84 +1.02  
Feeder Index: \_\_\_ 150.41 +1.05

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Lean Index. \_\_ 88.10 -.65  
Pork cutout \_\_ 99.66 +.91  
IA-S.MN direct avg \_\_ 80.12 -1.29  
Hog slg. \_\_ 422,000 +9k wa +65k ya

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Grain and oilseed trade was depressing yesterday with red ink everywhere across the screen at the close. Export inspections were neutral to positive across the board. Wheat shipments totaled 21.3 mln bushels, corn was 38.9 mln, soybeans 17.5 mln bushels and milo 8.7 mln. That milo number was big and it also helped pull milo to within striking distance of actually meeting USDA's projection for the year. Wheat was friendly given the fact it was over 20 mln. Corn and soybean shipments are carrying enough momentum to come very close to USDA's old crop projections on exports for the marketing year that ends on the last day of this month. At the current pace for both, there's about an equal chance we'll come in higher than lower. Hate to say this, but for soybeans that's a little disappointing because it means we'll likely end up over 400 mln bushels on ending stocks. Historically, that's a big number and it keeps the stocks to use ratio in the double digits. That's much larger than recent years.

Crop progress numbers were a mixed bag yesterday. Corn ratings lost a point in good, moving it to poor. The nationwide total g/ex rating was 61%, versus 76% g/ex last year at the same time and 1 point worse than last week. In the largest four corn producing states, g/ex conditions were unchanged from last week at 63% in Illinois. Iowa was down 3 points to 65% g/ex. Minnesota improved 1 point to 81% g/ex. Nebraska also got 1 point better, landing at 61% g/ex.

Soybean g/ex ratings got 2 points better this week, rising to 59% versus 72% g/ex last year at the same time. The increase came from taking 1 point from poor and 1 from fair, bringing them both into the good category. Week to week changes in the big bean states showed Illinois getting 7% better in g/ex, Indiana up 4, Iowa down 2, Minnesota up 1, Missouri up 2, Nebraska up 1, North Dakota down 7 and Ohio up 1.

Spring wheat ratings got worse again and did it in the face of futures going down ironically. 31% of the crop is g/ex nationwide, down 2 points from last week and way under the 68% g/ex from last year. Current g/ex ratings stand at 9% in Montana, down 4 points from last week, 29% in North Dakota, down 3 points from last week and 8% in South Dakota, which was unchanged from a week ago. 58% of Montana's crop is p/vp, 44% for North Dakota and 75% of it in South Dakota. It still amazes me that Minneapolis HRS wheat futures have acted so poor lately.

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Spring wheat harvest was pegged at 9% complete, which is the same as last year's level. South Dakota was 46% done and North Dakota 5% complete. A big chunk of South Dakota's crop was harvested a couple of weeks ago though with a swather and baler.

6-10 day forecasts last night were beautiful! Temps across the Plains and Corn Belt were pegged at below normal, with much below slated for Kansas and Oklahoma. Precip is above normal for the southern 2/3 of the US and normal to below for the Dakota's, Minnesota and out to the PNW. I'm hesitant to say this, but early August is shaping up to be a repeat from last year of really good weather for soybeans...

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