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Morning Ag Markets Pete Loewen

Most of the cattle complex traded on both sides of unchanged yesterday and the hogs did the same. At the close, feeder cattle futures were almost all up in positive territory, live cattle were mixed with a few more lower quotes than higher and hogs were mixed as well. Technically, the cattle complex looks bearish on the charts. Fund long liquidation continues and with charts breaking major support last week, most specs have been active sellers as well.

Fundamentally, cattle aren't looking to whippy either. Since mid June, choice cutouts have been down 40 out of the last 44 business days, cash feeder cattle and feedlot trade has taken a really big hit and futures have been hit hard too. Driving that action was the fact product prices were way out of line at the peak and we also had 4 consecutive months of double digit increases in feedlot placements.

The wall of cattle is coming, but by the same token the market has moved significantly lower in anticipation of that happening. Things have sold off so hard now that I think we're getting very close, if not already at fair market value from a fundamental standpoint. Technically, the market is extremely oversold as well. From this point forward, we just have to hope that the managed money fund trade doesn't push things overboard to the downside, like they did to the upside. They seem to have an uncanny knack of being able to do that very well.

Cattle slg. ___ 119,000 +1k qwa +7k ya

Choice Cutout ___ 198.92 -.68

Select Cutout ___ 196.44 +.32

Feeder Index: ___ 145.90 -.06

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Lean Index.___ 84.78 -.47 Pork cutout___94.11 -.33

IA-S.MN direct avg___78.15 -.13

Hog slg.___ 446,000 ++72k wa +18k ya

Grain and oilseed trade was under fairly heavy pressure early, especially in soybeans and Minneapolis wheat again. Late session heavy buying brought prices up considerably off the lows into the close. A few markets closed mildly higher, but most were still lower.

Export inspections that were released yesterday morning showed pretty good numbers for corn and soybeans, terrible in milo and neutral for wheat. The corn number was 29.8 mln bushels, soybeans 20.9 mln and wheat 18.8 mln bushels. Wheat's marketing year began on June 1. Corn, milo and soybeans have a marketing year that ends on the last day of this month, so Sept 1 begins the new crop marketing year.

6-10's had the weather forecast taking a major turn towards friendlier over the weekend with cool temps leaving and above normal, along with less moisture being the predominant trend. Last night's 6-10 showed above normal temps for all of the Plains and Corn Belt. Precip was below normal through most of the High Plains and from southern Oklahoma south. From the eastern half of Kansas straight north and east, precip was above normal. Central Illinois east was normal to below on moisture.

Crop progress and condition data showed corn and spring wheat conditions improving slightly and soybeans getting a little worse. Corn was rated 62% g/ex versus 60% last week. P/vp was 12% compared to 13% last week. The g/ex rating is still 12% less than last year at the same time. One big point to note was Iowa's rating dropping for the 7th straight week in a row. On the flipside though, Illinois got 4 points better and Nebraska gained 4 as well. Iowa is now sitting at 61% g/ex, which is 22 points lower than last year.

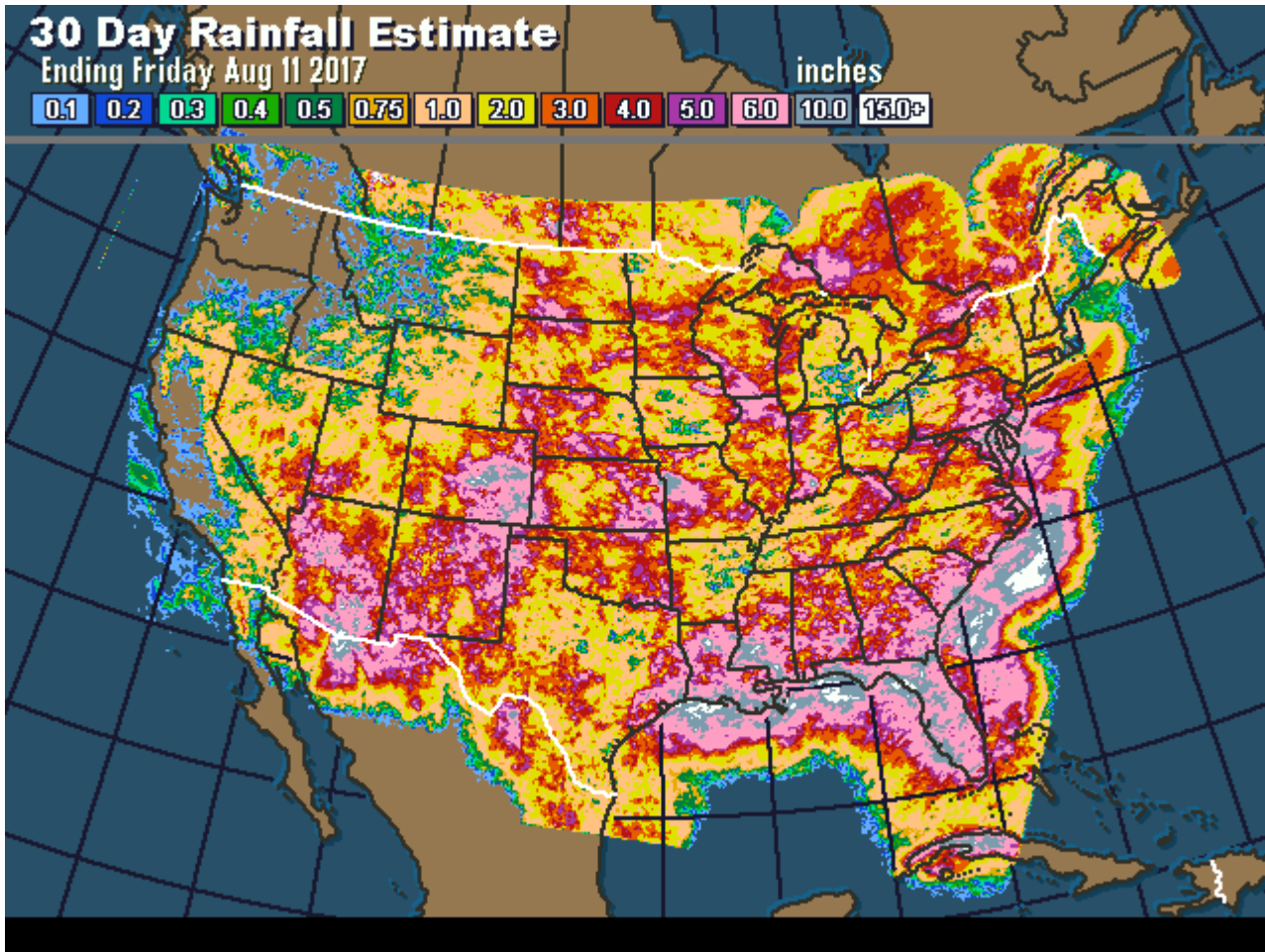
Soybean ratings were 59% g/ex versus 60% last week and 72% a year ago at the same time. P/vp percentages were 12% this week, which was unchanged from a week ago and compares to 7% last year.

Spring wheat condition ratings were 33% g/ex and 42% p/vp. Last week they were 32% g/ex and 43% p/vp. Last year they were 66% g/ex and only 9% p/vp. That translates into the g/ex percentage being 33 points lower than last year and the p/vp percentage being 33 points higher than last year. That's why this giant selloff in MGEX wheat doesn't make a lot of sense.

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Daily 8 a.m. export announcements showed two soybean sales. 132k mt's of US new crop soybeans were sold to China and another 132k mt's of new crop sold to unknown destination.



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