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Date: September 12, 2017

Morning Ag Markets
Pete Loewen

Fairly quiet day in the meat complex yesterday. Lean hog futures closes mixed to mostly lower, live cattle were mixed to mostly higher and the feeder cattle were mild to moderately higher with the November contract closing just over triple digits higher.

Oklahoma City and Joplin sales yesterday showed big runs and stout gains compared to their last trade that was two weeks ago. The Ok City run was about 2500 head larger than last year and nearly double the volume of the last sale. Joplin numbers were very similar at around 2500 head above a year ago and 4100 head bigger than two weeks ago. Prices in both markets ranged from steady to as much as \$10 higher between the yearlings and calves that traded.

Negotiated feedlot trade ended up being steady with the previous week on Friday with packers and feedlots waiting until the 11th hour to cut deals. Basis on those trades flipped to negative for the first time in ages and with that comes a big problem. Negative basis and premium deferred futures are going to have cattle feeders feeling overly confident about their leverage against the packer and potentially holding out for higher prices longer during the week. If people start carrying cattle over, thinking next week is going to be higher and next month even higher yet based on premium futures, it's possible to become uncurrent very quickly. If that happens, weights go up faster than normal and leverage quickly shifts out of the feedlot hands and into the packer. It's very critical that cattle continue to move so that weights don't take off higher, bogging down total production.

Grain and oilseed trade closes had soybeans and the entire wheat complex lower, but corn squeaked out a higher finish.

Export inspections for the first week of the new marketing year showed 26.1 mln bushels of corn, 40.6 mln beans and 16.4 mln bushels of wheat. That wheat total is neutral. Corn and

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soybeans were mildly bearish. Last year's first week had corn loadings about 26 mln bushels larger than yesterday's number. The soybean total was 6 mln bigger than last year, but still on the light side. Considering the majority of winter wheat in the US is loaded out of Gulf ports and most of the HRW wheat loaded at the Texas gulf, seeing 16.4 mln bushels of export loadings probably means they are back up and running after Harvey.

Crop progress and condition data showed corn crop maturity at 21% versus 31% on average. 5% of the crop is harvested versus 6 normally. The corn condition rating was 61% g/ex, unchanged from last week and 13% lower than last year at the same time. Soybean conditions dropped 1 point to 60% g/ex. Last year they were 73% g/ex. 95% of the spring wheat crop has been harvested and 5% of the winter wheat crop is planted. That planting pace is 1 point behind normal.

Today all eyes will be focused on the September Crop Production and Supply and Demand reports. Average estimates for corn have yield at 167.8 bu/ac and production 14 bln bushels. Compared to the August report, that is down 1.7 bu/ac on yield and 153 mln lower production. Ending stocks are estimated at 2.133 bln, which would be down 140 mln from August. Old crop ending stocks are pegged at 2.351 bln versus 2.370 last month. Like I mentioned yesterday, in my opinion, bullish or bearish is going to hinge on ending stocks being above or below 2 bln bushels. If it's below, we'll go up. If it's above, we'll probably go lower and then wait and hope for the next 30 days until the October report comes out.

Soybean yield average guesses are at 48.7 bu/ac which would be down .7 bu from August. Production is estimated at 4.321 bln, down 60 mln from last month. Ending stocks off that total would be 437 mln, down from 475 last month. Old crop ending stocks for soybeans are pegged at 364 mln, down 6 mln from last month.

New crop wheat ending stocks have an average guess of 920 mln bushels, down 13 mln from last month. That's still a big wheat total, but it's also considerably lower than the last two years when stocks were comfortably over 1 bln bushels. We're slowly chipping away at burdensome domestic wheat supplies, but 900+ mln is still a very comfortable number and world supplies are still huge. The only legitimate shortage we have in the US is of milling quality wheat.

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