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Date: September 26, 2017

## **Morning Ag Markets**

Pete Loewen

The bullish bubble in the cattle market was popped on Friday with bearish COF numbers leading to limit lower in both the live and feeder cattle markets. Expectations were for the placement rate in August to be down 2.5% and it came in 3% higher than a year ago instead. That makes it six consecutive months now with a higher placement total than a year ago and an average each month through those six that is more than 9% larger as well. That also brought the On Feed total up to 4% above last year, 1 ½ points above the average trade guess. Thankfully the marketing total hit the estimates at 6% above last year as well, or it would have been an even bigger game changer.

A couple of bright notes in cattle, product trade exploded higher yesterday with \$2.00+ gains in both the choice and select. The last time choice and select were up more than \$2 each on the same day was all the way back on May 11<sup>th</sup>. We also had negotiated feedlot cash trade all the way up to \$109.50 in the north last week. That was \$3.50 above the previous week. The southern trade gained \$2, up to the \$108 level.

Technically, the cattle complex charts were looking really bullish ahead of the report with some major resistance broken last week and good extension beyond those levels. Honestly though, sometimes the trade two sessions after a report is a better representation of market sentiment than the first session following. You have to get the knee jerk reaction out of the way and give more time to digest the data. If cattle are actively lower today and finish there, we've probably seen the futures highs for the rest of the year. If they close higher, it'll be a good sign we might be able to hold on to these elevated levels for a while.

Cattle slg. \_\_\_118,000 +6k wa +6k ya

Choice Cutout\_\_193.96 +2.36

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Select Cutout\_\_\_190.89 +2.16

Feeder Index:\_\_\_152.60 +.96

Lean Index.\_\_\_ 57.66 -1.42

Pork cutout\_\_\_73.50 +.80

IA-S.MN direct avg\_\_\_47.83 -1.25

Hog slg.\_\_\_\_ **460,000** +9k wa +18k ya \*\*record 1 day total

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Grain and oilseed trade was quietly higher in corn, KC and Chicago wheat. Minneapolis wheat and soybeans were very active though, finishing double digits higher in the spring wheat futures and double digits lower in the beans. Soybeans were feeling pressure from an active harvest pace and an overall sense that yields were coming in better than expected. For the Minneapolis wheat, on Friday this week we get the small grains summary, which is the wheat market equivalent of the big January final report in corn and beans. There's a lot of chatter about acreage reductions in both planted and especially harvested acres in the Northern Plains. That report has the potential to be a market mover in wheat.

Export inspections data from yesterday was a mixed bag. Corn export loadings were 29.1 mln bushels, which is a poor number. Soybean inspections were 37.8 mln bushels which was good. Wheat inspections were 18.4 mln, which I would consider neutral to friendly. Based on the weekly data the report was bearish corn, bullish beans and neutral wheat.

However, looking at the marketing year to date actual export loadings, corn is very bearish, beans are bullish, milo is very bearish and wheat is very neutral. Actual corn shipments are just 51% of last year's pace at the same time, yet USDA is projecting a 19% increase in demand. Soybeans are projected to increase 4% over last year and the export pace is 33% ahead right now. Wheat is expected to decline 8% and it's down 3% at the moment, which is neutral. Current milo export loadings are only 2/3 of what they were last year at the same time. Like I emphasized last week, for corn, beans and milo, we're only 26 days into the new marketing year. A LOT will change in the next 339 days with the bulk of it for corn and beans

Crop progress and condition data yesterday afternoon showed the corn harvest pace up 4 points from last week to 11% done nationwide. That's 6% behind the normal pace. 51% of the crop was listed as mature, versus 64% a normally and that explains the delayed harvest pace. Condition ratings showed excellent gaining 1 point, taking it away from good. That also means

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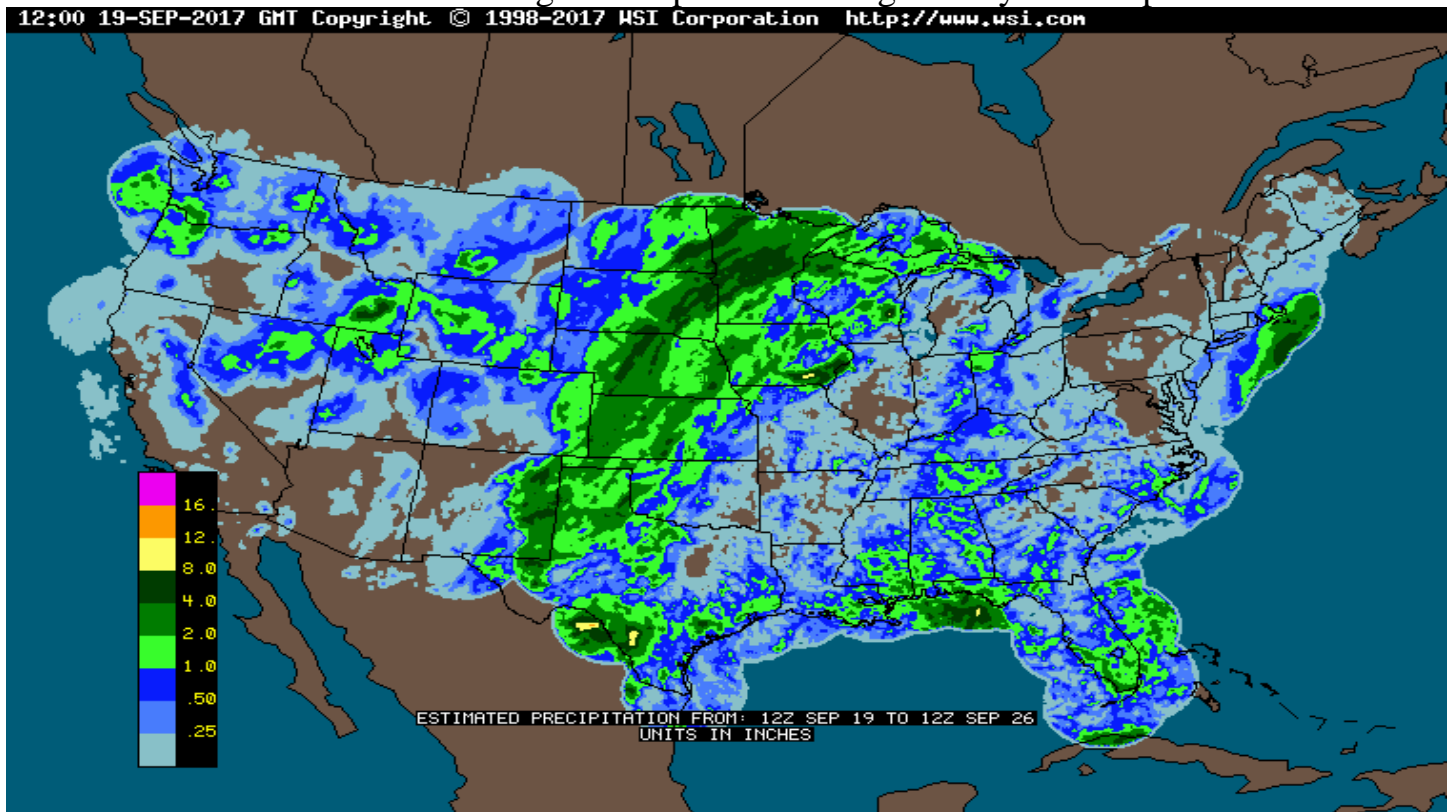
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the g/ex rating remained unchanged from a week ago at 61%. Last year it was 74% g/ex on the same date.

Soybean harvest progress gained 6 points up to 10% done, versus 12% normally. Condition ratings were 59% g/ex, which is 1 point higher than last week. Last year it was 73% g/ex.

Winter wheat seeding moved up 11% this week to 24% complete. That's 4% behind the normal pace. There was some significant rainfall over parts of HRW wheat country between the weekend and yesterday, covering a really big portion of the wheat area. Those rains are definitely going to delay a lot of planting this week, but the conditions it leaves for getting wheat established are dramatically improved now with these rains. That's bearish KC wheat. According to the crop progress report, Texas is 33% planted, Oklahoma 16% done, Kansas 14% complete and Colorado is 39% planted.

Hello bearish wheat rains! What's great for production is generally bad for price.



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