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Morning Ag Markets Pete Loewen

Triple digit gains and losses were a common theme on Monday. Several lean hog contracts finished more than \$2 higher. A couple of feeder cattle contracts were more than \$2 lower.

In the hogs especially, the sharply higher trade was very counter to the fundamentals. Last week on Thursday the big picture message from the quarterly Hog and Pig report was confirmation active expansion efforts were still in play for the pork sector. Granted, some of the numbers came in showing less than expected expansion rates, but the message was still very clear that we'll have continuously growing market hog numbers for the foreseeable future. Couple that with several new daily record slaughter numbers last week, along with carcass weights being above year ago levels and the current production pace is astronomical. Fortunately, last week's export sales numbers were monstrous as well, which is helping chew through that supply increase. Fundamentally, the rally didn't make sense. Then again, October hog futures are were down over \$16 from mid-August to late September. Hogs may go up some simply because they are grossly oversold, but long term rally potential isn't in any way fundamentally viable.

Last week's steady negotiated cash feedlot trade compared to the previous week should probably be viewed as a victory considering the bearishness of the COF numbers from two Friday's ago. \$108 traded numbers from north to south, which was a carbon copy of two weeks ago. Yesterday's future collapse brought front end October futures down below that \$108 level, meaning positive basis if cash remains steady or higher this week. I have my doubts that basis will end up positive this week though, which doesn't necessarily mean cash moves lower. It might mean futures could rebound.

Cattle slg. ___ 110,000 -8k wa -3k ya
Choice Cutout ___ 197.22 +.60
Select Cutout ___ 188.28 -.22

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Feeder Index:___154.30 +1.34
Lean Index.___ 54.29 --.55
Pork cutout___72.78 -.55
IA-S.MN direct avg__49.54 +1.35
Hog slg.___ 456,000 -4k wa +13k ya

Grain and oilseed trade was in solid red ink most of the day. Soybeans were down in the double digits, along with Minneapolis wheat, while corn and the rest of the wheat contracts were only mildly lower. Barge freight rates blew up higher this week with river levels dropping, meaning it's tougher to get grain moved through the river system. That's tugging basis lower and unfortunately, it's happening at the same time futures prices are dropping as well. Adding a little more insult to this price injury is the fact there's a lot of harvest yield reports in soybeans as well as corn across the country that are coming in higher than what was expected. That has promoted some fears that USDA might not be coming down in corn or bean yield in upcoming reports.

Export inspections that came out yesterday morning were a mixed bag. Corn inspections were bearish at 30.8 mln bushels. Cumulative inspections for the marketing year so far are running 49% behind last year's total. Soybean inspections were 32.9 mln, which is neutral to a little friendly. The soybean pace is lagging last year by 16%. Wheat inspections were bullish at 25.4 mln bushels. Marketing year to date sales were down 2% from last year, but USDA has them projected to be lower than a year ago as well.

Crop progress and condition data showed 68% of the US corn crop mature, which is down 10% from the average for this date. Key northern states where frost or freeze is still a legit concern showed 47% of the North Dakota corn mature and safe from damage potential. South Dakota is 52% mature and Minnesota is 55% mature. All those numbers are well below averages for this date though... Harvest pace showed 17% of the corn done, which is 9 points behind normal. Corn condition ratings showed 63% g/ex ratings, up 2 points from last week. Normally when crops are maturing the ratings slide, so the improvement is probably related to harvest reports being better than expected.

Soybean harvest progress is 22% complete, up 12 from last week, but still 4 points behind normal. Condition ratings were 60% g/ex, unchanged from last week, although excellent gained a point, while good dropped one. Compared to last year, soybean conditions are still 14% lower. Corn conditions are 10 points below year ago levels in the g/ex category.

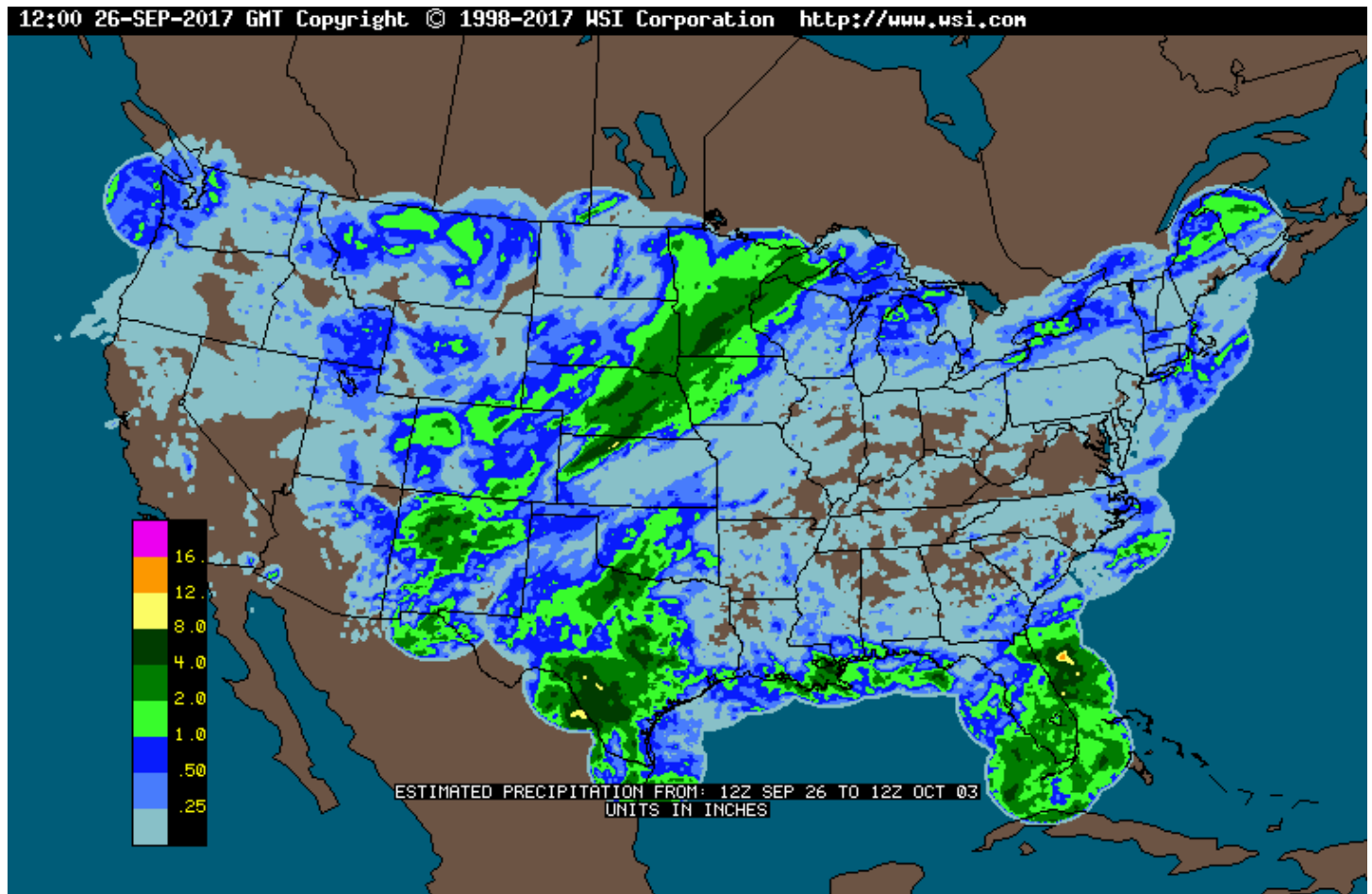
Winter wheat seeding gained 12 points last week, moving up to 36% done. That's 7% behind the normal pace, but rain is what's keeping the pace lower than last year and that's a bearish

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factor, not bullish. Planting conditions and emergence potential are really, really good across HRW wheat country.

6-10's last night showed below normal temps across the entire Plains from north to south as well as the western Corn Belt. Central and Eastern Corn Belt temps were normal to above. Precip was below normal in the Plains and above normal from central Missouri through the East Coast.



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