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## **Morning Ag Markets**

The cattle complex was able to hold pretty steady Wednesday, despite cash trade that ended up getting started on Tuesday afternoon around the \$99 mark in the South, a dollar lower than the bulk of the previous week's trade. Perhaps that was factored in to Tuesday's big losses on the board already, although the spot August live contract was the weakest of the entire complex Wednesday as the lower cash put a damper on any ability to rally there, with August fats currently about \$2 over the cash business that has been done so far this week. There was some additional business that got going in Nebraska Wednesday at levels \$2 to \$3 lower than last week on a dressed basis and some light trade in the South as low as \$98, a buck lower than Tuesday's business. That cash weakness should be enough to continue to weigh on the board, at least on the spot August contract. It was a little surprising to see the cash trade develop so soon this week, especially with a cattle on feed report looming Friday afternoon. Apparently Tuesday's losses were enough to make feedlots think the worst was yet to come and they just as well give in instead of seeing what the rest of the week held. We haven't quite cleaned up the showlists so there should be some additional business to come, although at this point it looks like the lower money is here to stay for the week.

The feeder market was able to turn higher Wednesday after some lower trade early in the session, with the September contract actually coming within 25 cents of a key reversal at the close. The rebound in deferred fats was likely the source of most of the support, as corn prices were fairly strong throughout the day. The feeder market had suffered through a pretty rough week so far and had actually been in a pretty steady downtrend since early last week, so we were due for a little recovery. Volume was pretty light and there really wasn't any big news, just the market taking a little break from the recent downtrend.

Cattle slaughter Wednesday 127,000 -1k week ago +1k year ago

Choice Cutouts\_163.09 -1.25

Select Cutout\_\_ 157.04 -.12

CME Feeder Index:\_\_\_113.22 +.11

Lean Hog Index 88.62 -.14

Pork carcass cutout value 92.25 +.13

Hog slaughter Wednesday 417,000 +8k week ago +24k year ago

Calls this morning in the cattle complex are a little on the weaker side as there is no encouragement coming from the cash trade and that isn't likely to change today. The big drop in cutouts yesterday and some additional cash business Wednesday lower than Tuesday's levels should be enough to keep a lid on trade the rest of the week, as there just isn't much out there to push us higher, unless there is some bullish surprise on tomorrow afternoon's on-feed report, although that would likely come too late to help the remainder of the cash business to be done this week. For the open on the board this morning I'll call both fats and feeders 10 to 20 lower.

Moving over to the grain markets, Wednesday was another strong day across the board, with corn and beans posting decent gains despite forecasts that turned a little wetter for the Midwest. The grains were able to shake off lower crude oil for part of the day as well as a stronger dollar index en route to the impressive gains. Kansas City wheat futures continue to perform, although there is still a lack of bullish news that should be capable of driving 20 to 30 cent daily gains.

Overnight electronic trade last night was higher with corn 1 to 4 higher, beans 4 to 14 higher, and Kansas City wheat 4 to 6 ¼ higher.

Well the volatility definitely didn't let up yesterday, with the grains shooting higher once again even with a lack of major news. The soybean market appeared poised for a pullback after Tuesday's lower close, but the market quickly shook that off and finished with big gains yesterday despite midday forecasts that showed a significant moisture increase for much of the Midwest, especially the Eastern Corn Belt. The corn market continues to see short covering pushing us a bit higher, as open interest had been on the decline the past few days of higher trade, signaling shorts are exiting the market instead of new buyers coming in. We did see open interest up yesterday, but just barely, as there still hasn't been a rush of new buyers coming in to the market despite a 90 cent rally from last week's lows.

The grain markets found support overnight from a big sell-off in the dollar index which in turn prompted commodity buying, led by big gains in crude oil. This morning's forecasts are also not quite as wet for parts of the Midwest, although scattered showers are still expected over the next few days. The dryness talk has definitely picked up this week, with soybeans having the potential to suffer the most from ongoing dryness. If we go another week or so without meaningful rains in much of the Corn Belt, the market will probably really start to show some concern, but it's probably not quite time to panic just yet.

Weekly export sales released this morning were a little disappointing for corn, coming in at 27.2 million bushels for old and new crop combined, compared to estimates looking for 29.5 to 51.2 million. We saw cancellations for old crop soybeans for the second week in a row, which once again is pretty normal for the last few weeks of the marketing year. Just under 3 million bushels of old crop sales were cancelled while we saw new crop sales of just over 13 million bushels. That number was easily within the range of guesses from 9 to 18 million bushels, so not much of a market mover for beans this morning. Wheat sales were fairly solid, coming in at 33.7 million bushels for the 08/09 marketing year, within the range of guesses from 25.7 to 44 million.

The wheat market continues to be the toughest to analyze at this point, with mostly bearish fundamentals not lining up with the price action as we continue to move higher. Some say the wheat market is trying to buy acres heading into fall, but there really isn't a need to buy soft wheat acres with plenty of it around and \$2 under basis commonplace right now.

Nonetheless, both Chicago and KC wheat continue to move higher, leaving many traders scratching their heads and checking their pocketbooks. For those of you making preparations to plant wheat this fall, don't be afraid to take advantage of these prices and lay off some of your price risk one way or another. Everyone remembers last year and the dramatic run up in wheat prices that left many producers sick to their stomach due to having no wheat to sell at those lofty levels, but it is important to stress this year has shaped up much differently than last. World wheat stocks are significantly higher than last year and we are not in danger of running out domestically, which was a legit threat last year that pushed us to those record price levels.

Calls this morning are going to be a little stronger in the wake of the overnight action with the outside markets providing most of the support. As long as crude oil holds the current gains and the dollar stays weak, we should see grains open stronger. For the open I'll call corn futures 2 to 4 higher, beans 5 to 10 higher, and KC wheat 2 to 5 higher.

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