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Morning Ag Markets

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With futures under mild to moderate pressure on Friday and no cash having traded in the Southern Plains earlier in the week, there was a lot of business to conduct before curtains closed. Beef packers without a doubt had margins solidly improving in their camp with choice cutouts finishing the week off with gains of just under \$7.00. However, they weren't willing to budge very far from bids that were \$1.00-\$2.00 under the previous week's action and the solid reasoning behind that bullheadedness was the fact that futures were parked at a large discount to where the last round of cash trading had been. Two weeks ago, Texas and Kansas both sold cattle at \$94, but spot December futures closed on Friday at \$90.05. That wasn't a very solid aid for feedlot managers at the negotiating table. \$93 ended up being the average for the South, which was \$1.00 lower than the last go round, but still \$3.00 over futures!

I've made a comment or two of the last several weeks regarding the dire need of the cash market to either be steady or higher, without taking any steps backwards along the way this fall. The tight available supply argument is on the feedlot's side and the cutout value rise is on the packer's side. That combination should leave room for both camps to benefit on a week to week basis as long as there is still enough bullish psychology to support it. Last week's outside market influence from the DOW and crude was negative enough to cattle futures in spillover that the outside's overruled the actual "cattle" fundamentals and let's just hope that wasn't the kiss of death for the extent of the fall rally, but it very well could have been.

Cattle slg.___ wtd 616,000 -5k wa -31k ya

Choice Cutout_157.02 -.35

Select Cutout__146.18 -.31

Feeder Index:___97.60 +.18

Lean Index.___ 52.49 -.43

Pork cutout__56.41 -.55

IA-S.MN direct avg__51.45 +.19

Hog slg.___ wtd 2.310 mln +3k wa -62k ya

Weekly closes had December Live Cattle down \$2.75, November feeders down \$2.25, January feeders down \$3.95 and December Lean Hogs up \$.17

Opening calls this morning are 10-25 lower in both the cattle and the hogs. Beef cutouts had their first negative quotes all month on Friday and we can only hope that was a one day aberration and not the beginning of the turnaround in packer's ability to keep moving product at higher money.

In the grain markets, futures spent most of Friday's session at lower money, but found enough late day buying to bring corn and soybean contracts back up to small net gains at the close. Wheat futures were up in the double digits, but don't confuse that with bullishness to the wheat market fundamentals. Wheat has been the short side to a lot of corn / wheat and bean / wheat spreads and there was reportedly quite a bit of unwinding going on last week, which helps explain why the weekly closes showed wheat as the lone friendly commodity out there.

Weekly closes had December corn up 4 $\frac{3}{4}$ cents, but also trading at the lowest price level it has been at since January 2007, when it made new recent lows early in the week. January soybeans settled down 25 cents on the week and July KC Wheat was up 25 $\frac{1}{2}$ cents.

Overnight E-CBT trade was__very mixed. KC Wheat finished -2 $\frac{1}{4}$ to +5, Chicago was +9 $\frac{1}{2}$ to -6, corn +1/4 to -1 $\frac{3}{4}$ and soybeans +1/2 to -9.

It's hard to come in after a weekend and not really have all that much to talk about in the grain markets. There wasn't much sense to be made about what went on with last week's trade. Export sales have been and will continue to be pitiful in wheat and corn, but on the friendly side to beans. We're starting to hear some chatter about acreage numbers. Informa came out with an estimate on Friday for 09 corn and bean plantings. In a nutshell, they are looking at larger corn and bean acres and smaller wheat. I'd break the numbers down for you, but when their Friday numbers are compared to their last estimate which was in September, they vary by as much as 4 mln in corn. So, their number is moving so fast there's no point in trying to catch up to it!

Grain markets are going to continue, just like the livestock, to take more direction from outside influences. The DOW capsized into the close, after grains had settled on Friday- and the outsides are lower again this morning, but just by a little bit.

I'm calling the grain markets unevenly mixed to just a shade easier to start the week.

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