Corn was lower on Monday as concerns about pollination are eased and the hot temperatures start to abate. The trading funds have a big long position. We are likely to get long liquidation as the potential for more weather damage starts to decrease. The August 12 USDA reports still have the potential to bring a surprise with the first survey of acreage and yields. I would stay on long hedges until we get past that report. Tuesday's open was up with the weather not as good as hoped again on Monday evening. We still have 2 lows near $2.30 on the December chart and aggressive short hedgers might look at lifting short hedges on dips to that general level. We are likely to see a reduction in ending stocks this calendar year if the weather damaged crop is smaller than total usage with ethanol usage moving well above 1.0 billion bushels. Prices will not plunge below $2.00 on the futures board with stocks being decreased, even if ending stocks still end up close to 2.0 billion bushels at the end of the crop year.

There is more time left to change the soybean yields as we move into August. The percentage reduction in ending stocks in U. S. soybeans may be larger in ending stocks than in corn. But the key fundamental information here is not in the U. S., it is the world level stock picture with predicted ending stocks for the current crop years well above record levels. The world gets smaller as Brazil builds transportation infrastructure and makes it easier for soybeans or soybean meal to be imported. Even if our crop is smaller, the price will tend to get capped at the price in Brazil plus transportation to U. S. usage sites. I would hold short hedges in the November contract until we see whether the market can hold above the low at $6.60 in late June. The most likely upside rally on the chart is a 50 to 60 percent correction of the decline from $7.50 down to the recent $6.70 area. That would give us $7.10 to $7.15 and that rally might be starting in the Tuesday session. The $7.50 level is still possible but quite unlikely with the market recently as much as $0.80 off that high.

Wheat has lost a reason to go up with the pressure on corn prices. Funds appeared to be selling wheat on Monday, and the December Chicago futures were drifting down toward the June low at $3.32. This market may not find much reason to rally until we move toward September and start to get a final picture on corn and soybean yields and winter wheat seedings. Producers who are holding wheat in storage as cash market speculators should look for a rally that allows them to hedge a profit in the March or May futures in both Chicago and Kansas City. I expect to see those opportunities late in the summer or into the early fall months, so be patient.

Fed cattle prices averaged around $79 last week and showed little impact from the opening of the Canadian border. Beef was down $3.50 to $4.00 for the week, however, so packer margins were being pressured again. July 1 inventory numbers were up 1.0 percent for total numbers and for beef cows in the July 22 report. Heifers held for beef cow replacement were up a modest 4.0 percent as the herd building continues. The on-feed count and June placements into feed yards were both up more than expected in the July 22 report with placements during June up 7 percent. But losses on the fall and winter contracts were small as the market reaches what traders appear to be seeing as a bottom in the live cattle market. The August live cattle contact is trying to hold above $78, and the close on Monday was above the middle of the trading range which was encouraging. But I would hold short hedges until we see signs of a bottom with closes above the recent trading range.

August feeder cattle are an astounding $27 above the current levels of the August live cattle futures. I understand that it is the December and later live cattle contracts that set the derived value of late summer feeder cattle, but the August feeder cattle contact is $22 to $25 above the futures for the December and February live cattle futures. If the cattle going into feed yards at current feeder cattle prices are to make money, we need a major boost from demand to restore the upward trend in slaughter cattle prices. But demand has been lagging, and we need something like a restoring of beef shipments to Japan. In the meantime, if you have short hedges in the October feeder cattle, you might think about taking profits on your short hedges. But I would keep a sell stop order just below the $103 low from 10 days back in case something unexpected hits this market again.

Cash hog prices are around $68 at the national level in the direct market. The October futures have rallied nearly $6.00 from its June low below $54. I would like to see this market hold at current levels and trade sideways to give us a better uptrend line possibility. I think we have a chance to get better prices late in the year than some of the prices we were seeing in the late spring and early summer months, a very unusual seasonal pattern. The formation on the October chart shows upside possibility so let's see if we can get some upside before setting short hedges. But we need to be careful: on any rally, look to sketch an uptrend line across the mid-June and any recent lows to give us some protection against unexpected lower prices.