



Archer Financial Services, Inc.

DAILY LIVESTOCK REPORT

By Dennis Smith

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LEAN HOGS

Cash is called just steady for today which is likely not going to work. The cash was unchanged to down .50 yesterday and this resulted in extremely light receipts. Producers have seen the cash turn in their favor after experiencing a blood thirsty break in the cash late this winter/early spring. They know what the summer contracts are trading at, substantial premiums and they don't want to move hogs unless the bid is firm to higher, period. Futures pulled back yesterday for the third consecutive session with open interest rising by 3,100 cars. The weekly kill is going to drop off from last week's torrid pace, currently projected to be 2.376, down 2.5% from last week. The cold storage was slightly negative.

LIVE CATTLE

Gap and go again is a strong possibility in the LC and FC futures this morning. Yesterday saw a gap higher open followed with a higher close. The gaps were never filled. Many think the strength yesterday was tied to the cattle-on-feed report. On the contrary, the strength was tied to the power in the cash steer market that occurred late Friday. What we have here is a powerful set of short term fundamentals. The show list is smaller, not larger. Packers have profitable margins. Domestic retailers are enjoying the fact that wholesale beef is cheaper than this time last year, going into spring yet retail beef prices are higher than this time last year. Export demand is powerful strong. And finally, seasonal demand has kicking into high gear driving the cutout sharply higher yesterday. Look for a higher open and most likely a strong close. **Having said that, traders need to be aware there were 10 deliveries posted against the April LC contract last night, all heifers and delivered to Kearney, NE. The oldest long now stands partly through Dec 12th.** There are only 4,892 contracts left open in the April. Thus, the upside may be limited from 122-123 in this contract.

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