



Archer Financial Services, Inc.

DAILY LIVESTOCK REPORT

By Dennis Smith

Thursday June 15, 2017

LEAN HOGS

Cash was powerful strong yesterday, quoted up \$2.00 to \$3.00. Packers are behaving aggressively and they work to secure animals and preserve market share. The latest index stands at 8210 and moving higher. The cutout was up only .10 but that does not really tell the story. Product is in great shape with hams grabbing hold, bellies racing higher with virtually nothing in the freezer and seasonal demand strong, loins stabilizing, butts still weak and ribs firming on seasonal demand. Butcher hog numbers are dropping off along with average hog weights. Weekly export sales were sluggish and down 29% from the 4-week average. Shipments were better but still down 5% from the 4-week average. We are not shipping any pork to China. U.S. exports are growing substantially, however, without China. While there's a chance that hogs have topped out with the expiration of the June, I doubt it. Look for a mixed early trade likely followed by another round of buying. Volume was moderate yesterday at nearly 44,000 with open interest rising by 400 cars. Cash should be higher today and the Saturday kill effort is currently projected to be around 50,000 pigs.

LIVE CATTLE

Limit losses yesterday in June and Aug LC will encourage early selling pressure and the LC market will be on expanded limits today. Feeders traded to limit down yesterday but they did not settle at limit losses. I noticed that volume in FC calls yesterday was double that of puts. Someone is bullish FC and playing for a bounce. Most likely they were buying calls when futures were testing the May lows. The cash steer market is now on a slippery slope. The bearish signal provided by the futures market has feedlots running scared. Packers, being packers, are fully content to break the cash as hard as possible. Just last week packers were in a panic and paying \$220 in the hot beef market. Yesterday the hot beef traded at \$205. After a lower early trade look for a bounce, a decent recovery in both fats and feeders into Friday's close. LC volume was active but not huge at 59,000. Open interest dropped by nearly 4,000 on the debacle. **Greater Omaha Packing Company is shipping beef to China. One would think this would provide some traction to the sharply discounted board.** Weekly export sales were sluggish, down 16% from the 4-week average. Shipments were good, up 6%.

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