



DAILY LIVESTOCK REPORT

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July Hogs Need to Take Out Last Week's Highs

LEAN HOGS:

Cash hog prices were not established yesterday. I'm not sure how that happens on a Monday. The cutout was up .98. The kill came in at 477,000 a bit larger than estimates. The weekly kill is expected to match last week's large harvest. Futures were sharply higher yesterday on excellent volume of 99,300. Strangely, open interest was down only 200 cars. So down just 200 on Monday's rally and on Friday's limit down performance open interest increased by only 130. Yes, this is most difficult to explain and impossible to comprehend. Hogs have been backed up. That's a very short term negative situation. Disease is ripping apart the hog herd in China and Vietnam. This is a very long term bullish fundamental situation. I'm always focused on the long term fundamental play. Long term, I don't care how you slice it, if the U.S. herd remains disease free, hog prices are headed sharply higher. My sources stipulate that shipments to China won't begin accelerating until the second half of July. Some say it won't happen until the fourth quarter. I guess I don't even have a strong opinion on when it will happen only that it WILL happen. In a walk before we run fashion, July hogs need to take out last week's high of 8712 before one can get excited about the action. We will get an updated meat supply/demand report at 11:00 this morning.

LIVE CATTLE:

Ripping strong. Aug LC closed up limit yesterday. Feeders were sharply higher but they backed off their highs. Perhaps a test of 14400 in FC is possible before they run back down and test major support later this summer at 13000. The discounted fat cattle board is poised to move higher and get closer to the cash steer price. I'm anticipating a seasonal high, a peak as soon as later this week or as late as the Fourth of July. Many in the trade are automatically expecting a higher cash steer market this week due to the action on the board. Frankly, that's what I'm hearing. My sources suggest a steady at best cash steer price to be paid this week. We plan to execute hedges on a test of resistance in live cattle futures this week.

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