



DAILY LIVESTOCK REPORT

By Dennis Smith

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Another Winter Storm Approaching The Plains

LEAN HOGS:

I'd expect higher cash hog prices today. The worm has turned and cash should screech higher well into spring and summer. The latest CME lean hog index is quoted at 51.98, up .27 for its first uptick in weeks. The April hog contract sits almost \$11.00 over the index. The board is telling us cash will rally and I'm whistling the same tune as the board. Futures soared higher and penetrated all kinds of resistance. Volume was huge on the third day of the roll at 125,600 with open interest relatively unchanged, down 750. Massive short covering in the April with open interest here down nearly 12,000. Impressive that the shorts are covering when the contract is more than \$10 over the cash. The buzz word creating all the powerful buying is CHINA. Cash hog prices in China have soared 20% since March 1st. Evidently the glut of pork in response to the panic herd liquidation has been absorbed and now pork prices/cash hog prices are going the other way...upward. This is just the beginning.

LIVE CATTLE:

LC futures pulled back yesterday after the June posted a fresh contract high on Friday. Many in the trade are eager to call a top. I'm not a subscriber to a top in live cattle futures at this time and at this price. Volume yesterday on the third day of the roll was 97,800 with open interest down 800 cars. Open interest in LC is sitting at all-time highs. Another storm is hitting the plains and Midwest this week, the show list is smaller this week versus last week and packers are gearing to process more cattle this week than last week. The weekly kill is projected at 609,000 compared to 603,000 last week and 601,000 last year. Weights are expected to continue dropping for last least 40 to 50 days and they should well below last year during this period. The USDA has revised downward beef production in the last two supply/demand reports to the tune of 485 million pounds. We're talking about whole week of production lost. We continue to nibble at calls and we're in the process of establishing the Apr/Jun bull spread.

For a free 30-day trial to the evening livestock wire that includes a midday pork and beef update, please send an email to: dennis.smith@archerfincials.com

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