



## DAILY LIVESTOCK REPORT

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### Will The Meltdown in Live Cattle Futures Continue?

#### LEAN HOGS:

Cash was lower yesterday (not a surprise) and expect packers to work bids lower early today. We shall see if the lower bids work. The weekly kill is projected to be substantial, in fact record large at 2.615. However, the market has had trouble achieving the level of kills as projected from the hog & pig report. IMO we've been given a miscount on butcher hog supplies, numbers are not quite as large as measured in the hog & pig. Consider that packer margins remain profitable. They have the incentive to keep the kills as high as physically possible. Yet we keep falling short. ASF is expected to continue spreading in China. We believe that 80% of the pig population in China is currently facing shipping restrictions. This causes great imbalances in prices, encourages cheating and will only contribute to the spread of ASF. At some point the Chinese will begin importing large amounts of pork...it's only a matter of time. Look for a seasonal low in Dec and Feb futures this week, possibly today/tomorrow. Dec are testing support at the 40-day moving average.

#### LIVE CATTLE:

Live cattle futures staged a widely unexpected technical meltdown yesterday, closing down 175 points in the front month December. Volume was reported at 89,000 with open interest down 1,025. Open interest in the Dec was down by over 3,300. Recently there has been a large build in OI between 11600 and 11850. These new longs are now all under water. The new shorts are now looking at a contract discount to the cash. Look for solid support to develop on a lower trade today with increasing levels of support approaching yesterday's session low of 11435. The show list is larger, estimated to be 259,900 compared to 244,500 last week. The weekly kill is projected to be 640,000, slightly smaller than last week and beef is expected to crank higher. Lastly, despite the poor futures action and discount, we're **NOT** expecting a lower cash steer trade this week.

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