



DAILY LIVESTOCK REPORT

By Dennis Smith

Thursday, October 11, 2018



Follow me on Twitter @denniscattle

Volume in Oct Live Cattle Exceeded Open Interest

LEAN HOGS:

Cash is called steady to down \$1.00. Hurricane Michael is causing more problems with Smithfield in NC. Smithfield can't catch a break. First hurricane Florence, then a tragic accident resulting in the loss of an employee, now another hurricane. So another major slaughter disruption by Smithfield. This should keep "all other producers" pulling ahead. The weekly kills have been running well below projections based upon the most recent hog & pig report. The action in the Oct/Dec is suggesting, to me, that the cash market is still headed higher. For reference, the latest CME lean hog index stands at 6934. Is this a top in the cash or simply a pause before taking another leg up? If cash takes another leg upward then Dec hogs are severely undervalued. We've been securing Dec puts as a means of hedging production, leaving the upside open. Another case of ASF was reported overnight in China, in Liaoning province. This is the third case reported in this province this week. ASF is expected to continue spreading in China. We have no information regarding the numbers of pigs culled. I'm not sure what happens today in hog futures, guess I'll flip a coin like everyone else.

LIVE CATTLE:

Lots to talk about in LC. Large volume selloff occurred yesterday. Volume in the Oct LC, at 20,844, exceeded the total open interest in this contract by 15%. Open interest was lower in the first four contracts, confirming long liquidation part of which is likely fund liquidation. **If the melt down in stocks triggers additional fund liquidation, this should present an excellent buying opportunity.** We're long term bullish and hope to use this break to cover nearby hedges and lean into bullish positions.

Cash is looking steady to possibly slightly lower with some trade in the north at \$174 and 109-110 in IA in the live. There were 93 deliveries posted which includes 30 new and 63 retendered certificates. The retenders were all demanded which means they will not be coming back. The oldest long date barely moved from 8/31 to 9/5 which I consider bullish. Finally, all of the notices were taken by one firm. This is likely a strong stopper. The beef continues to drift into new recent lows but my meat sources are indicating that beef is in good shape.

Regarding futures, strongly recommend buying this break. IMO if the funds blow the packers will become huge buyers. Be prepared to take nearby hedges off, taking profits, be prepared to tweak hedges in the Feb and Apr and be prepared to establish bullish spec positions in the Dec, if you're a spec trader. Otherwise, I have no opinion.

For a free 30-day trial to the evening livestock wire please send us an email to dennis.smith@archerfinancials.com.

Would you like to open an account with Dennis Smith? Go to our interactive New Account application at [Open An Account](#). It is fast, saves on postage and it's green.

The risk of loss in trading futures and options on futures can be substantial. The author does not guarantee the accuracy of the above information, although it is believed that the sources are reliable and the information accurate. The author assumes no liability or responsibility for direct or indirect, special, consequential or incidental damages or for any other damages relating or arising out of any action taken as a result of any information or advice contained in this commentary. The author disclaims any express or implied liability or responsibility for any action taken, which is solely at the liability and responsibility of the user. In addition, the author of this piece currently trades for his own account and may have financial interest in the following derivative products: (corn, soybeans, soybean meal, soybean oil, lean hogs, live cattle, feeder cattle). Copyright © ADM Investor Services, Inc.