



Archer Financial Services, Inc.

DAILY LIVESTOCK REPORT

By Dennis Smith

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Cash Hog Prices Call Higher to Sharply Higher

LEAN HOGS:

The advances in the cash hog market seem to be accelerating instead of slowing. Indeed, cash was quoted on the late report yesterday \$3.00 to \$3.50 higher. The market is called higher for today. Cutout values continue to advance and this is projected to continue well into next week. Smithfield is slowly getting back on-line with today's kill projected to be close to 450,000. Look for a sizable Sat kill, likely approaching 200,000. Still, for Smithfield, it will take several weeks for them to get caught up. We estimate about 300,000 Smithfield owned pigs have been backlogged. However, this is a Smithfield problem and not an industry wide issue. Producers have been aggressively pulling hogs ahead, taking full advantage of a soaring cash bid in the face of the early fall runs. Pork remains historically cheap and there's plenty of buyers around. China is up to 20 cases of ASF. News is fairly quiet out of China. We consider it highly likely the disease continues to spread and this will be an issue, a challenge for the Chinese for months, if not years. We remain bullish. Weekly pork export sales were down 2% from the 4-week average whereas shipments were unchanged from the 4-week average at 20,800 MT. By the way, one week from today the USDA will issue their quarterly hog & pig report.

LIVE CATTLE:

Weekly beef export sales were sluggish, down 16% from the 4-week average. Shipments were a bit better, up 3% at 17,300 MT. The beef was lower yesterday and likely will see additional pressure today. Feed lot managers are bullish and asking higher money for their animals this week despite the lower-trending beef and higher show list numbers. Packer margins remain highly profitable. However, until supplies tighten a bit I'm reluctant to get bullish from here just because packers are making money. Packers typically don't bid their margin away just to be nice guys. I'm not expecting a higher cash steer market this week. We've been actively hedging fall and winter production. The USDA will issue their monthly cattle-on-feed report Friday. The numbers are not expected to be bullish.

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