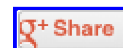
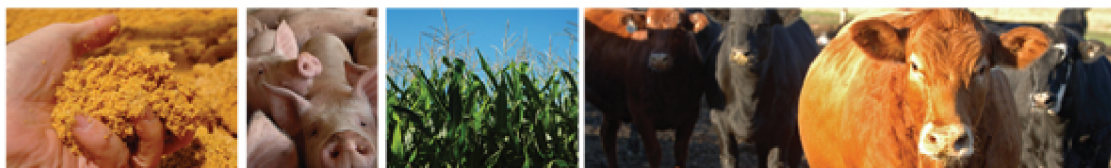


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CHS Hedging Livestock Comments



Friday, May 24, 2013

Livestock Comments

By: [Joe Hofmeyer](#)

Macro:

- U.S. stocks fell, sending the Dow Jones Industrial Average to its first three-day drop so far this year. Equity traders are concerned the Federal Reserve may curtail stimulus efforts after hearing the Fed Chairman's statements earlier this week.
- Durable goods orders increased more than forecast for April indicating business investment strength.
- Crude oil is down \$.20 trading at \$94.05, gold is down \$5.70 per ounce to \$1386.10 per ounce, and the U.S. Dollar Index is .23% lower on the day.
- Despite a lack of trading activity, strong gains developed in the cattle complex and moderate gains occurred in lean hog futures as traders positioned themselves heading into the 3 day weekend.

Cattle:

- Nearby live cattle futures had the biggest daily gain since March 27, while nearby feeder cattle were also up sharply. Both live cattle and feeders had light trading volume.
- Weekly export sales were 20,400 tonnes as compared with a 3,075 ton average over the last 4-weeks. Cumulative export sales reached 339,300 tonnes for the year which is 17% lower compared to a year ago.
- Live cattle open interest is down to the lowest level since last October.
- Cash cattle trade this week was down about \$1.00 due to poor futures performance, and packers only needing to buy for a short week due to the Memorial Day holiday on Monday.
- Retail movement this weekend will be pivotal to price direction in cattle markets next week. With good retail movement and firmer cash cattle trade, significant short-covering could occur next week.
- Compared to last week, feeder steers sold mostly steady while feeder heifers traded \$2.00-\$4.00 lower.

Hogs:

- Lean hogs kept the streak alive by trading higher for the 5th consecutive day, as technicals have speculators coming along for the ride.
- Expensive retail beef prices have left the cheaper substitute of pork the beneficiary.
- Futures for lean hogs continue to have increasing open interest, pork cut-out values continue to firm, and technicals look positive, encouraging speculative buying.
- Wednesday's Cold Storage report showed frozen pork at record levels. This will be a limiting factor for lean hogs. The monthly report showed frozen pork stocks as of April 30th at 698.8 million pounds, which is up 5.9% from last year and up 7.9% from last month.
- Cash hog prices moved lower as packers needed less volume due to the short holiday week.
- Japan announced today that they will allow raw pork imports from the Santa Catarina state of Brazil; potentially hurting U.S. export demand in the future.

	LCM	FCK	LHK		OK	CK	SMK
Contract High	\$135.42	\$164.30	\$86.00		\$4.14	\$8.49	\$541.80
Resistance	\$129.10	\$151.00	\$80.80		\$4.14	\$7.76	\$479.50
Close	\$120.58	\$144.55	\$94.88		\$3.65	\$6.57	\$428.20
Change	\$1.45	\$12.93	\$0.68		-\$0.05	-\$0.05	-\$8.80
Support	\$124.55	\$144.85	\$75.87		\$3.58	\$7.05	\$450.00
Contract Low	\$122.00	\$142.37	\$70.05		\$2.69	\$3.87	\$268.00
PM quote	IA / S MN	Western	Eastern	Peoria	Sioux Falls	Pork Cutout	LH Index
Value	#N/A	#N/A	#N/A	\$54.00	\$58.00	\$83.67	\$93.49
Change	#N/A	#N/A	#N/A	Steady	Steady	#N/A	\$0.05
Cash Cattle	Live Basis	Dressed	FC Index	FC Index change	Slaughter	Lean Hogs	Live Cattle
This Week	\$124	\$198-\$202	#N/A	#N/A	Estimated	405,000	124,000
Last Week	\$125-\$125.50	\$198-\$202	\$141.11		Last week	388,000	125,000
Boxes	Choice	Selects	Trim/Grind		Packer Margins	Lean Hogs	Live Cattle
Value	\$209.93	\$191.11	\$45.46		Today	\$1.60	\$91.60
Change	(\$1.44)	(\$0.41)			Previous	\$8.65	\$87.00
Loads	27	21	66		Change	(\$7.05)	\$4.60
Total Loads	114	Spread	\$18.82		Week Ago	\$2.64	\$40.36



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The Right Decisions for the Right Reasons



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