

**MORNING LIVESTOCK REPORT - Look for a lower cash steer market this week.**

Thursday July 29, 2010

**LEAN HOGS**

Good morning. I'm running way late today so this comment will be very brief. The cutout surged yesterday along with cash bids for live hogs. The interior hog market yesterday morning was quoted down 1.18 only to see the closing cash report quoted up 4.01. The pork cutout was up 2.49 at 89.35. Fresh belly prices surge 10 cents and were quoted record high at \$1.35. We're in real danger of running out of frozen belly stocks with out-of-town stocks at just 14 million lbs. Last week 3.7 million lbs were pulled out of the freezer. Production this week will be below last week. Given this situation, and given the relative inelastic nature of bacon demand, there's no telling how high fresh prices may go in the short term. Look for a test of 8500, likely today in the Aug hog contract.

**LIVE CATTLE**

Live cattle closed mixed to slightly higher yesterday after trading lower for much of the session. Open interest was higher. It appears we're seeing fund type buying but also large commercial and producer selling (hedging). I'm expecting a lower cash steer market this week. The beef continues to weaken with the choice cutout down .53. Movement for a Wed was very slow at only 161 boxes and 61 trim. I'm moving to the short side of cattle futures for both my spec and hedge type customers. Early strength on the board will likely be in "coat tail" fashion off the higher hog market. After trading higher early look for renewed selling interest to likely develop.

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