

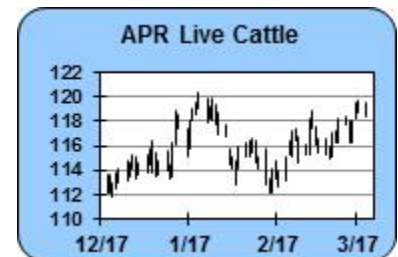


DAILY LIVESTOCK COMMENTARY Tuesday March 21, 2017

DAILY CATTLE COMMENTARY 03/21/17

No sign of top in beef or cash; massive discount supports

Deferred cattle and feeder cattle futures posted new contract highs as the discounts to the cash market is limiting new selling interest. June cattle is trading near an \$18 discount to the cash market as compared with the 5-year average discount of \$7.75. The market is in search of a near-term high but with a massive discount of June to the cash market, finding new interested sellers is difficult. The COT report as of March 14th showed non-commercial and nonreportable combined traders held a net long position of 91,810 contracts, up 6,168 contracts for the week. April cattle closed lower on the session yesterday and well off of the early highs. Talk that the surge in beef prices might discourage consumer beef demand into the spring helped to pressure the market early. However, the stiff discount of futures to the cash market discouraged new selling interest and the market found enough buying support to push the market higher on the day into midday. With consumer confidence readings near a 13 year high, beef demand remains strong.



USDA boxed beef cutout values were down 33 cents at mid-session yesterday and closed 33 cents higher at \$223.76. This was up from \$220.55 the prior week and the highest beef market since June 15th! The Brazil Agriculture Ministry confirmed that China had temporarily banned beef imports from Brazil following health inspection scandal on allegations of bribing inspectors to export tainted meat. This may support a continued strong US export market. The US does not export to China but if the ban sticks for long and China buys up Australia and other beef, US exports to other destinations could be strong. Texas cattle traded mostly \$3.00 higher last week to \$128 but Nebraska cattle traded as high as \$132.00. The USDA estimated cattle slaughter came in at 116,000 head yesterday.

TODAY'S MARKET IDEAS:

The upside break-out for June cattle leaves the next upside target at 112.07 with close-in support at 108.72 and 108.40. April cattle support is at 117.50 with 120.32 and 120.47 as next targets. With cash at 128.00 and only 17 days left, consider selling the April 119.00 put near 200 points.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CATTLE COMPLEX TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

LIVE CATTLE (APR) 03/21/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 119.950. The next area of resistance is around 119.400 and 119.950, while 1st support hits today at 118.400 and below there at 117.920.

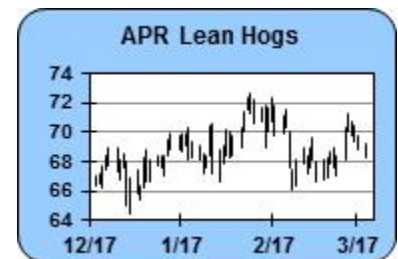
FEEDER CATTLE (MAR) 03/21/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The next upside target is 133.112. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 132.325 and 133.112, while 1st support hits today at 130.625 and below there at 129.713.

DAILY HOGS COMMENTARY

03/21/17

With a large supply, bulls need steady flow of strong export news

A weaker tone to the cash market now with traders bracing for pork production to be up 6% from last year for the 2nd quarter has helped to pressure. It will be very important to see the export market remain very strong in the next few months and while there is a case for China to be an aggressive importer, they seem more interested in pork from Europe. In addition, Mexico seems to be diversifying their imports of grain and livestock as a policy shift which might suggest the surge in imports of US pork could reverse. With expanding production in Mexico and the possibility of imports from Brazil, it seems unlikely that Mexico pork imports from the US will remain at record levels. USDA pork cutout values, released after the close yesterday, came in at \$80.40, down 66 cents from Friday and down from \$81.85 the previous week and down to the lowest level since March 3rd. June is trading at a premium of just 720 points to the cash market as compared with the 5-year average premium of 1310 points. April hogs closed moderately lower on the session yesterday while June was just slightly higher on the day after taking out the previous day's lows for the 4th session in a row. Talk of the higher production ahead which might pressure the cash market helped spark the early selling.



The USDA estimated hog slaughter last week at 2.335 million head, up from 2.318 million the previous week and up 6.7% from last year. Pork production for the week was up 6.6% from last year. Last year, pork production fell 268 million pounds from the first quarter to the second quarter which helped to support a strong seasonal advance in the cash market. This year, the market is expected to see the smallest decline since 2002 of only 80 million pounds. The CME Lean Hog Index as of March 16th was 71.74 down 10 cents from the previous session and down from 72.51 the previous week. The USDA estimated hog slaughter came in at 441,000 head yesterday. This brings the total for the week so far to 0 head, unchanged from last week at this time and unchanged from a year ago.

TODAY'S MARKET IDEAS:

With the hefty production ahead, the market will need continued strong export news. June hog resistance is at 78.42 with key support back at 75.02. Key uptrend channel support for April hogs is at 67.87 today and a move under this level could turn the trend down. Key support is back at 65.92.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short June hog 84.00 call from 220 with an objective of zero. * Risk to 162. 2) Long June Hog 74.00 put from 237 and short the June hog 70.00 put from 170 points. Look to buy back short June 70.00 put at 77.

PORK COMPLEX TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

LEAN HOGS (APR) 03/21/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. A bearish signal was triggered on a crossover down in the daily stochastics. Declining

momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 67.750. The next area of resistance is around 69.120 and 69.670, while 1st support hits today at 68.170 and below there at 67.750.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
MEAT COMPLEX										
LCJ7	118.900	63.40	60.41	71.97	79.60	118.78	117.70	116.93	116.43	116.14
FCH7	131.475	77.40	69.66	90.72	94.07	130.64	128.56	126.28	125.96	126.04
LHJ7	68.650	46.66	48.41	59.68	57.49	69.42	69.27	68.47	69.18	68.83

Calculations based on previous session. Data collected 03/20/2017

Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
MEAT COMPLEX						
LCJ7	Live Cattle	117.900	118.370	118.920	119.400	119.950
FCH7	Feeder Cattle	129.712	130.625	131.412	132.325	133.112
LHJ7	Lean Hogs	67.720	68.150	68.700	69.120	69.670

Calculations based on previous session. Data collected 03/20/2017

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