

JOE KROPF AND SID LOVE CONSULTING SERVICES

**** DAILY DRESSED BEEF OUTLOOK

07/11/06 AM: Choice cutout closed \$0.70 lower at \$151.69 last night, select \$0.72 lower at \$129.66. Sales were light (198 loads) on light demand and moderate offerings. The choice-select cutout price spread remains wide. Average for the spread last week was \$22.26. The spread on last night's close was \$22.03. The spread averaged \$22.85 in June vs past five year average of \$4.88. In June the spread widened from \$19.77 in May vs the normal seasonal which is to narrow about \$6 on average. Clearly, the supply of choice cattle remains seasonally tight. Offerings today will be moderate for light to moderate demand. *Cutouts are expected to close mostly lower tonight.* **SLTR EST: 126**

DAILY FED CATTLE OUTLOOK

07/11/06 AM: Sales volumes for last week were fairly good in KS and NE, but TX appeared a little light. While fed cattle marketings appear to be very current at present, a backlog can develop in a few weeks if cattle feeders fail to move ready cattle each week. *Cash market outlook for this week is lower, with trading expected to start Wednesday afternoon in the cornbelt and Thursday in the plains.*

BULLISH** Marketings in June are estimated up 4%
****** Consumer beef buying is apparently still good
****** Retailer beef featuring is good
****** Beef trade with Taiwan and Hong Kong continues and Japan, possibly also South Korea, will reopen export trade within "weeks", but probably more realistically another month or two

**** The relatively wide choice-select cutout price spread indicates marketings are current**

**** Drought in the southern plains may slow herd rebuilding**

BEARISH

****Plentiful supplies of chicken are competitive for consumers' protein expenditures**

**** July 1 on feed inventory is estimated up 4%, with June placements estimated up 8-10%**

**** Slaughter weights on steers were up 4 lbs. at 828 lbs. week ending June 24 vs week earlier and were 14 lbs. heavier than year ago**

**** Average heifer carcass weights at 750 lbs. week ending June 24, were up 1 lb. vs week earlier and 9 lbs. heavier than year ago**

**** Increased consumer expenditures for gasoline due to higher oil prices, may eventually slow consumer beef buying**

**** Extreme drought conditions in the plains, southeastern states, far northwest and parts of the cornbelt are causing cow liquidation as well as forcing feeder cattle into feedlots**

HEDGE RECOMMENDATION: Continue to liquidate hedges as cattle are sold. Maintain hedge protection on 50% or more third quarter marketings. Hedge 50% of fourth quarter marketings when a profitable hedge is offered.

LC FUTURES OPEN: 10/15 lower

CORNBELT: \$82-84.00/\$130-132.00 KS/TX: \$82-84.00

FUTURES DAILY FOR 07/11/06

	SUPPORT	RESISTANCE	RSI
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AUG		\$83.37		\$84.92		51.44
OCT		\$86.37		\$88.17		52.03
DEC		\$88.39		\$89.81		57.88

****** DAILY FEEDER CATTLE OUTLOOK******

07/11/06 AM: *Feeder cattle market today is expected steady/\$2 lower.* Lower futures did not derail buyers' aggressive efforts to accumulate cattle yesterday. But, sharply higher corn prices and the cattle futures are expected to weaken buyer demand some today. Buyers will be even more selective, likely discounting plainer quality cattle a little more severely than yesterday. Demand for light cattle will be good. *Prices for stockers and calves are expected mostly steady, instances off \$1.*

BULLISH Demand is fairly good but uneven**

**** Feedlot buyers will continue to be good buyers primarily because most are bullish on longer price outlook for fed cattle**

**** Cow slaughter was down nearly 6% in '05**

**** Apr 1 inventory of heifers on feed was up 5% vs steers up 11%, indicating the drought will delay cow herd expansion**

BEARISH Increased beef production from significantly heavier slaughter weights than year ago can depress fed and feeder cattle prices**

**** Feeder cattle quality will be average to plain through most of July**

**** July 1 Cattle on feed inventory is estimated up 4%**

**** Cattle coming in from Canada are adding to already drought swelled U.S. marketings**

**** Drought conditions in the southern plains continues to push cattle into feedlots**

HEDGE RECOMMENDATION: Price trend on cash feeder cattle is expected strong as long as fed cattle prices remain reasonably strong. Sellers should consider hedging strategies on feeders to be marketed during Jul/Sep. Buyers should consider staying in cash market on current as well as purchases through August.

CME CASH FEEDER INDEX: July 7, \$115.68, +0.54;

NEARBY FUTURES CLOSE (AUG), \$114.12

FUTURES OPEN: steady/10 higher

PLAINS: 110-120

CORNBELT: 112-122

DAILY FUTURES 07/11/06

FUTURE	SUPPORT	RESISTANCE	RSI
AUG	\$113.33	\$115.08	53.49
SEP	\$113.30	\$114.85	53.94
OCT	\$112.63	\$114.13	59.54

****** DAILY HOGS/PORK OUTLOOK**

07/11/06 AM: Cash hog prices today are expected \$0.50-1.00 lower. The pork cutout closed \$0.32 lower at \$76.67 last night. Cash hog prices closed steady to \$1 lower. Margin should have improved a little for most packers. While hog marketings do not yet appear to have changed much from last month, it does appear packers are filling orders more easily. Marketings are expected trend steady to increasing during Jul-Aug. Pork demand is expected light to moderate on moderate offerings today. *The pork cutout value is expected to close lower tonight on steady/lower loins and butts, mostly steady hams and bellies.* SLTR EST: 397

BULLISH** Retailer pork featuring is fairly good

****** Good export demand for pork means strong demand for hogs

- ** Pork exports were up 16% in Jan-May**
- ** Consumer pork buying is just fair**
- ** The cold storage stocks of pork at the end of May, were down some vs Apr**
- ** Barrow/gilt slaughter weights week ending June 24 averaged 196 lbs., unchanged vs week earlier and year ago**

BEARISH

- ** Canadian hog and feeder pig imports are expected mostly moderate in coming months**
- ** Domestic demand for pork was down about 5% during Jan-May**
- ** Quarterly Jun 1 Hog and Pig inventory report put: All hogs, unchanged; breeding hogs, up 1%; and market hogs, unchanged**

HEDGE RECOMMENDATION: Hedges are recommended on 50-80% of third and fourth quarter marketings if hedge is locking in profits. Offsetting short futures should be considered.

LH FUTURES OPEN: 10/15 lower

CME CASH INDEX: \$72.79, -\$0.72, JUL FUTURES: \$70.60

Monday's Closing prices:

WC: \$68.88, \$steady-1.00 lower

EC: \$69.01, \$0.25-1.00 lower

Forecast: BASE RANGE TODAY

WI CARC: 60.50-71.00 EI CARC: 60.75-70.75

FUTURES DAILY FOR 07/11/06

	SUPPORT	RESISTANCE	RSI
JUL	\$70.28	\$71.13	21.74
AUG	\$67.13	\$68.33	28.84
OCT	\$59.42	\$60.62	63.38

