



# HedgersEdge.com LLC

Futures Brokerage, Risk Management & Market Research for the  
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**Weekly Preview 7/9/07**....Beef product movement showed some improvement during the week, with weekend sales again slowing. Beef cutout values will trend higher, based upon last week's reduced holiday slaughter and reduced slaughter this week, a result of negative margins. Out-front business is still difficult to capture, as retailers are reluctant to price aggressively. The premium futures market and associated high forward-product prices will serve to keep everyday retail prices at lofty levels. The recent sharp price decline from the winter peak in the beef cutout will allow some additional beef featuring, but that too will be lessened. As such, reduced kills will be required to prop the beef market. The kill level this week is likely to be under 675,000 head. Slaughter YTD is 1.6% above year ago levels, while beef production is up only 0.1%. For the latest reporting week, actual cow slaughter declined below prior year levels for the first time this year.

Cash trade was fully \$2.00-\$3.00/cwt higher in the south, with trade at \$89.00-\$90.50. Dressed trade in the north was \$6.00-\$7.00 higher at \$138.00-\$140.00. The advance in futures prices continues to pull the cash higher, as hedgers refuse to sell (and rightfully so!) on the associated weak cash/futures relationship. Some additional futures gains are likely, following a period of early week profit-taking. Last week's cash advance in the south plains is sufficient to salvage the market from its downtrend. The cash lows for the year are established and confirmed at \$84.00-\$87.00. A retest of cash lows cannot be entirely ruled out for late-July. Limiting any selling pressure during the late summer is the October futures premium versus the August cattle futures contract. The premium is sufficient to move hedges from August to October, limiting fed cattle supplies during August, while adding to fed cattle offerings during October. With gain costs declining well below the selling price of fed cattle, an added economic incentive exists to capitalize on this maneuver, which will result in reducing breakevens for fed cattle marketed later rather than sooner. Look for the cash market to be no worse than fully steady this week.

Feeder and calf receipts were extremely light during the holiday-shortened week at 66,800 head versus 220,500 head last year. We continue to expect reduced receipts and placements until late-July. We expect August through October placements to be above prior year levels. Yearling prices were mostly steady to \$3.00 higher. Look for additional price gains this week, as optimism has returned to the fed cattle sector. The weakness in corn prices should continue to bolster feeder and calf prices.

Corn posted a technical rebound in late week trade and managed to survive a corn yield estimate of 156+ bushels per acre from the Informa Group. Such a yield would suggest the prospects of a crop size of 13.4 billion bushels. This would appear to be a stretch, but stranger events have happened. The greater overriding factor is the total planted acres, which in its simplest terms, provides the corn yield a cushion that did not previously exist. The amount of planted acres will serve to limit price rallies and allow prices to work lower into the harvest period. Beans are the most susceptible to growing problems if hot conditions develop during August, the most critical period for determining bean yields. We continue to believe the positive supply news supporting the price of wheat is bid into the market. It will take new demand surprises to hold or propel wheat prices higher from here forward. Look for increased selling on rallies in corn and wheat. *Stay informed formed; always manage your financial risk.*

Weekly Futures	Support	Resistance	Trend
August Cattle	\$91.15	\$94.10	UP
October Cattle	\$95.65	\$98.82	UP
December Cattle	\$96.15	\$99.56	UP
August Feeders	\$112.15	\$116.67	UP
August Hogs	\$68.90	\$71.80	DWN
December Corn	\$3.37	\$3.65	DWN
December Chicago Wheat	\$5.81	\$6.38	UP
November Soybeans	\$8.75	\$9.40	UP

Thanks,  
Andy & Bob