

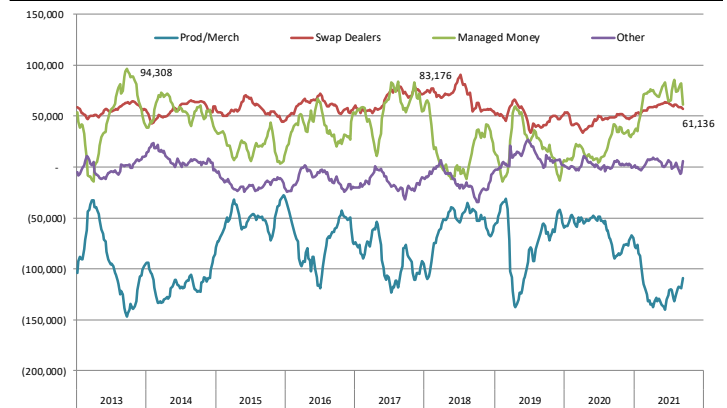
A couple of weeks ago we highlighted the fact that **managed money funds held a significant net long position in cattle and hogs**. The long position likely reflected fund crowd attitudes towards inflation, as well as a recognition of the excellent demand for protein during the summer months. But it also presented significant downside risk for the market, at least in the near term. A shift in attitudes, or outside events, could cause money flow to impact futures. It seems to us that's exactly what has taken place in recent days. The most recent CFTC 'Commitment of Traders' report shows that for the week ending September 14, managed money funds had a net long position in hog futures of 61,136 contracts, **a reduction of 21,015 contracts from the previous week**. The managed money net long in the fed cattle contract was down to 43,338 contracts, down 21,702 from the previous week and less than half of what it was just three weeks prior. Similarly, the net long position of managed money funds in the feeder cattle contract is now just under 1,100 contracts compared to a net long position of 12,189 contracts three weeks prior.

While protein demand continues to be in really good shape for the moment, and product prices remain well supported, a number of factors may have caused funds to change their bullish stance. For one, **we have seen a number of large banks, including Goldman, revise down their growth prospects for both the US and global economy**. Rising COVID cases during the summer and prospects of fall and winter waves could present more headwinds for the economy. It is important to look past your doorstep when considering the COVID impact. While it is not a major factor in some states, it remains a big challenge for business in many others. Already towns and cities in the West and East Coasts are imposing mask mandates and other restrictions. Other countries are even more sensitive, especially those lagging in vaccinations. It was interesting to see an article this morning that the police in New Zealand had busted two guys looking to smuggle KFC into Auckland. This was not an article in 'The Onion.'

And while inflation remains a major topic, **the big spending package that many saw as supercharging inflation appears to be stuck in Congress**. Inflation trades were all the rage back in the spring and early summer but may have lost some of their allure, at least for now. Outside markets also appear more wobbly than they did a few months ago. The most recent blowout of a real estate firm in China, and impact this could have on the global market, is only the latest in a string of outside market events affecting livestock prices. As much as we would like to think that the price of hogs or price of hams is all that dictates futures, money flow and many other factors come into play in any given day. Longer term, however, meat demand and supply fundamentals remain key. In the case of hog market, it is especially positive that the value of livestock is linked, to a degree, to the value of the cutout. The pork cutout is currently holding above \$100/cwt even as slaughter this week is on track to approach 2.6 million head. Robust fresh pork prices have helped bolster cutout values and in turn the value of the index. Cash hog prices are currently in the low 80s but the CME index is at least \$10/cwt above that. That's helping anchor October futures, leaving December more vulnerable to money flow and speculation of waning export demand.

CME Lean Hog Futures - Disaggregated CFTC Net Positions

Source: CFTC Weekly COT Report. Analysis by: Steiner Consulting



CFTC Commitment of Traders Report

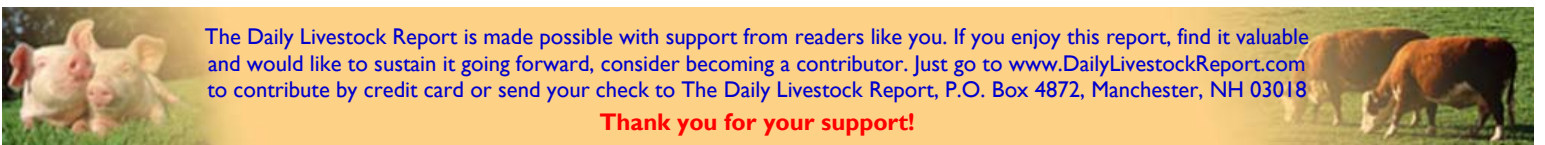
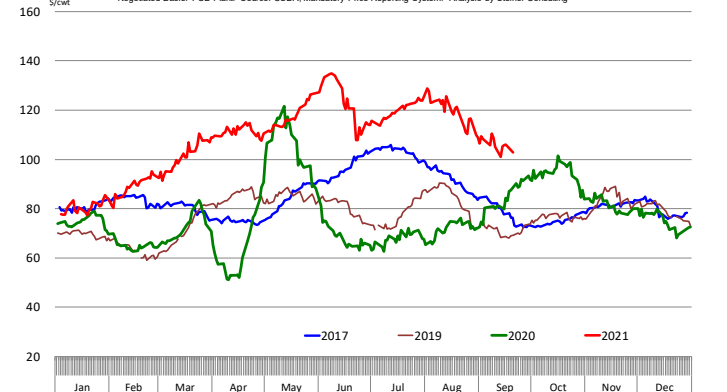
Data Source: CFTC. Analysis by: Steiner Consulting

Disaggregated Commitment of Traders (COT) Report

		Fed Cattle			Feeder Cattle			Lean Hogs		
		7-Sep	14-Sep	ch.	7-Sep	14-Sep	ch.	7-Sep	14-Sep	ch.
Prod/Merch	Long	25,885	31,881	5,996	5,705	6,151	446	13,271	12,521	(750)
	Short	174,314	162,330	(11,984)	7,140	6,139	(1,001)	132,341	121,559	(10,782)
	Net	(148,429)	(130,449)	17,980	(1,435)	12	1,447	(119,070)	(109,038)	10,032
Swap Dealer	Long	88,578	88,428	(150)	4,714	4,658	(56)	64,773	62,032	(2,741)
	Short	2,222	2,004	(218)	929	908	(21)	6,159	5,063	(1,096)
	Net	86,356	86,424	68	3,785	3,750	(35)	58,614	56,969	(1,645)
Mng. Money	Long	82,960	71,012	(11,948)	12,957	8,916	(4,041)	95,741	81,110	(14,631)
	Short	17,920	27,674	9,754	5,799	7,821	2,022	13,590	19,974	6,384
	Net	65,040	43,338	(21,702)	7,158	1,095	(6,063)	82,151	61,136	(21,015)
Other	Long	25,925	25,523	(402)	3,523	3,541	18	25,093	30,778	5,685
	Short	18,466	15,706	(2,760)	5,429	3,749	(1,680)	30,889	24,680	(6,209)
	Net	7,459	9,817	2,358	(1,906)	(208)	1,698	(5,796)	6,098	11,894
OI (Futures Only)		312,252	294,395	(17,857)	45,721	40,560	(5,161)	269,540	249,424	(20,116)

DAILY OVERALL CUTOUT PORK PRIMAL VALUE

\$/cwt Negotiated Basis. FOB Plant. Source: USDA, Mandatory Price Reporting System. Analysis by Steiner Consulting



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