

## THE MIDWEST

"It's been a week boys....it's been one hell of a week," mentioned one source. With much of the Midwest still needing for rain, sources state that right now it feels like a struggle to stay above. Things have obviously taken a downturn in the market, and cattlemen across the country are still wondering the same thing as last week, "How tough is it going to get?"

**PRICES:** Last week sources explained that feeders were hoping and holding out for \$140 on fats. Needless to say, \$140 didn't come. The cattle that didn't sell last week rolled over into this week and ended up selling for \$133-134. And then later this week, fats dipped down to \$128. Dressed cattle sold for \$208. Overall, the cash market is \$10 lower, and the total head of negotiated cattle sold is much lighter than last week's run.

**TRENDS:** The big talk this week was about packers... one source talked to Cargill directly who indicated that they won't be needing cattle until the week of July 3rd. "We all knew the market would take a tip. However, it does appear that the packers have regained leverage and it is going to probably stay that way for a while," commented another source. Though the reason is unclear, more and more feed lots have recently began to sell their cattle on the grid. We knew the market would take a turn, however, there are still things to be positive about: 1) cattle are very profitable right now, 2) the market is still better than it was a year ago.

**MARGINS:** Margins are a complex yet intricate component of the cattle market. With last week's live cattle margin being raised \$200, and the feeder cattle margin raised \$500 - one source broke down the daunting topic of what margins are and the role they play in the cattle market.

- A margin is best described as the amount of money put up to trade a commodity.
- When there is no volatility, the Merc lowers margins.
- When there is a lot of open interest, the limit can go "limit up" or "limit down" - the Merc expands the margins here to protect the interest.
- When you are LONG in the market, you have the right, and the obligation to own a commodity.
- When you are SHORT in the market, you have the right, and obligation to sell a commodity.

- When you are long you have the option to buy a “call.” When you are short you have the option to buy a “put.”
- Both a Call and a Put are the same thing – they are the right to sell a contract, but not the obligation, and with this you are charged a fee.

What sources had to say about margins this week: “Hedge funds are what drive our markets, and realistically, all other markets as well. Generally, they take the long side of things, however they go where ever the money is. Over the last 60-80 days, hedge funders have made incredible amounts of money. The reason why we don’t really have speculators anymore is because the position limits have eliminated them – hedge funds can have as many loads as they want, however speculators can only have 300 loads. The scary part about this game is that as soon as hedge funders make money, they go out of the market, and poof the market goes down another \$6-8,” explained one source.

## THE WEST

Folks in the Western part of the U.S. are eager and ready to hear calf prices. This week, Superior held their Corn Belt Classic Sale which paved the way for the beginning 2017 calf contracts.

PRICES: This week, four-five-year-old pairs sold for \$1,600-1,800. Solid mouthed pairs with medium calves went for \$1,600. Short-term pairs with healthy calves brought \$1,500-1,600. On only a small test of feeders, steer calves weighing 700 pounds sold for \$1.59, and 800 pound steers brought \$1.4450. This week there was a lot of weigh up cattle to sell. Weigh up cows brought .73-.86/head, and weigh up bulls brought .90-1.00/head.

## THE SOUTH

The South overall had another good week. Right now, folks have had plenty of rain, and are sitting good on grass. However, things are starting to get extremely hot. The further and further time gets into summer, yearlings are harder to come by and good replacement cattle are few and far between.

Prices: Slaughter cows and bulls were \$1-3 better this week. Steer calves weighing 600-650 pounds sold for \$1.42-1.56, and heifers \$1.25-1.38. Steers weighing 700-750 pounds brought \$1.29-1.49, and heifers \$1.15-1.30.