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Special Report 'Bountiful Pork'

Saturday Sept 29th, 2007 10:00PM

When considering issues that may affect consumer demand for pork. We are observing U.S Housing values declining more than most had expected . It is possible consumer demand might stagnate and households may react badly to current high retail prices just when the total pounds for Cattle, Hogs , Chicken and turkey expected for the coming months offer the consumer one-half -pound more protein meat available to them than last year... Exports are good and there is hope for more...

On the Supply side , the pork industry is facing high feed and transportation costs, lower capacity for slaughter (Canadian plants have recently shut down) and plentiful daily kills that are pushing slaughter capacity limits. When supplies breached capacity limits in 1998 the result was an event decline in prices. Culminating with Farmers killing the feeder Pigs on the Canadian evening news.

A week ago Friday , The USDA Cold Storage as of Sept 1 report was released. Total supplies of pork are not burdensome , however Ham numbers are hefty and rather large for this time of year.. Frozen pork supplies were up slightly from the previous month and up 10 percent from last year. Ham Supplies are up 38 % from last year and 7 % from last month. These are numbers we usually see prior to the Holidays.. Not at the end of August.

On Friday , the USDA All Important Quarterly Hog and Pig Crop report was released . Estimates the wire services supplied were 102.1 , 100.8 , 102.3

Note the USDA revised upward inventory and pig crop estimates for September 2006 through June 2007 Adjustments of about one-half of one percent were made to the March 1, 2007 inventory and December 2006 - February 2007 pig crop. An adjustment of less than one-half of one percent was made to the June 1, 2007 total inventory.... (Anyway you want to put it 103 is 103 ½)

Below are the USDA estimates :

| September 1 Inventory | % 2005 | %2006 |
|-----------------------|--------|-------|
| All Hogs and Pigs | 105 | 103 |
| Kept for Breeding | 103 | 101 |
| Market | 105 | 103 |

Market Hogs and Pigs
by Weight Groups

| | | |
|---------------------|-----|-----|
| Under 60 Pounds | 103 | 103 |
| 60-119 Pounds | 105 | 103 |
| 120-179 Pounds | 105 | 103 |
| 180 Pounds and Over | 107 | 103 |

The headline all hogs and pigs number as of September 1, 2007 was up 3 percent from both September 1, 2006, and June 1, 2007. A tad higher than the high end of the pre-report guess and was construed to be bearish hogs

Breeding inventory, was up 1 percent from last year, and up slightly from the previous quarter. This was in-line with the pre-report range of estimates.

Market hog inventory, was up 3 percent from both last year and last quarter. This was the high end of the pre-report guess

Looking inside the report, the important numbers for the market to contend with are the June-August 2007 pig crop and farrowing intentions. These totals effect the October, Dec and Feb Contracts

The pig crop for the quarter was up 4 % and is largest single pig crop for any quarter since March –May of 1994.. The pre report estimate for the quarter was 102.3.

The market was expecting farrowing intentions for the June –August quarter to be 101.6 % of 2006 . However Sows farrowed for the quarter was up a bountiful 3 % .

Looking at the expectations for Spring Hogs, September-November farrowing intentions were up 1 percent.

The same goes for Summer Hogs as farrowing intentions for December 2007-February 2008. was up 1%

These numbers were in line with estimates made early in the week and under the current environment should be considered constructive for the Back end .

When this survey was taken prices were substantially higher and China news was all over the wires Since then China froze some pork prices (last week)..Released stocks from its Pork Reserve and gave back the meat we did export to them because it was tainted with hormones..

BW Traders should Buy April and Sell Feb at mkt on open Monday and Sell Dec Hogs at mkt on Monday.

Traders should also be prepared to sell rallies into mid October. In addition we want to buy June and back for the 'Pull' into next summer.. Stay tuned for Flashes and Updates.

***A Ship in Harbor is Safe...But that is not what ships are built for-
Happy Trading!***

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