

The combined inventory of beef, pork, chicken and turkey in cold storage at the end of December was 2.177 billion pounds, 2.4% higher than a year ago and 8.6% higher than the five year average. With more meat products going into export markets, it is reasonable to expect cold storage stocks to increase over time. Thus, it is important to continue to look at the cold storage numbers in the context of trade flows as well as slaughter/production trends.

Total beef inventories at the end of December were 489.5 million pounds, 13.8% less than last year and just 0.7% higher than the five year average. The main reason we see the beef inventory number as positive or bullish for the market is because overall beef production and imports increased during December while exports were slightly lower. Despite the increase in overall product availability, total beef supplies in cold storage were up **just 0.7% compared to the previous month.** In the last five years beef cold storage stocks in December rose on average 4% compared to November levels. Beef demand remains in good shape and that is helping keep the supply moving rather than backing up in cold storage.

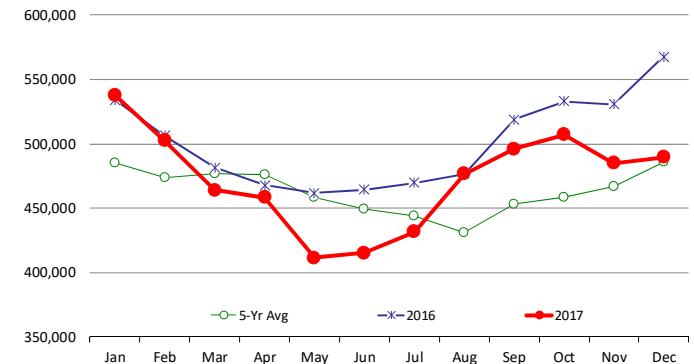
USDA reported that there were 491 million pounds of pork in cold storage at the end of December, 3.2% more than a year ago but still about 6.7% less than the five year average. We think pork exports were modestly lower in December. Normally pork stocks decline in December retailers draw down their ham stocks for Christmas features. Last year holiday needs and excellent exports caused pork inventories to decline 8% vs. November. This year stocks declined 2.3%, not as much as last year but still ahead of the five year average pace of 1.7%. We generally view the overall pork inventory number as neutral for that reason. Belly stocks have been increasing, up 120% compared to the minimal levels of a year ago. Belly inventory build is following a more seasonal path and we think that will help keep belly prices in check and avoid a repeat of what happened last year.

Chicken supplies remain heavy even as strong exports have allowed producers to quickly deplete the inventory of leg quarters. The supply of breast meat in cold storage remains burdensome. Total breast meat stocks were 188 million pounds, 1% less than last year but still some **23% higher than the five year average.** Leg quarter stocks, on the other hand, were down 18% from last year and 19% from the five year average. A lower inventory of dark meat in cold storage and robust export demand should continue to bolster dark meat prices while breast meat may have to stay at historically low price levels until spring demand kicks in.

Bottom line: US meat protein supplies continue to expand but product flow remains good and freezer inventories are only marginally higher than last year, an indication that meat demand remains in good shape.

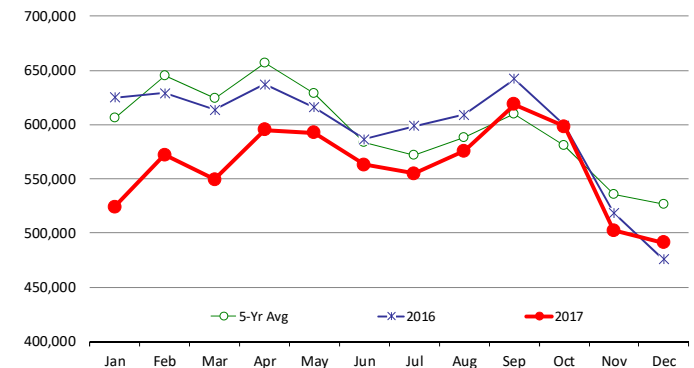
All Beef In Cold Storage at End of Month

000 Pounds. Source: USDA



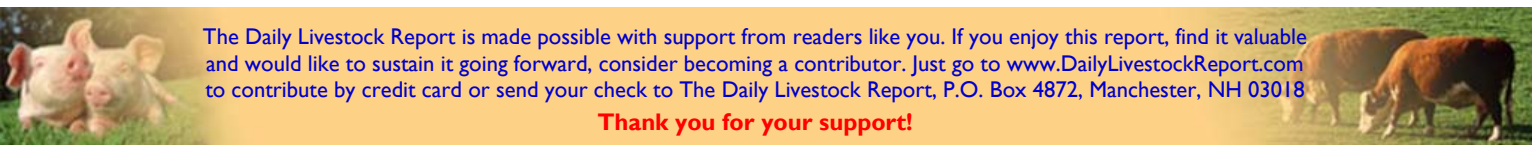
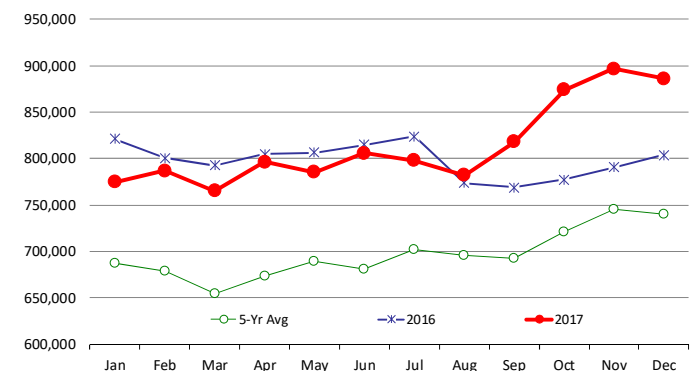
All Pork In Cold Storage at End of Month

000 Pounds. Source: USDA



All Chicken In Cold Storage at End of Month

000 Pounds. Source: USDA



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USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	31-Dec-16	30-Nov-17	31-Dec-17	Dec-16	Nov-17
1,000 Pounds					
Frozen Pork					
<i>Picnics, Bone-In</i>	8,321	6,866	5,979	72	87
<i>Hams, Total</i>	68,821	98,224	81,099	118	83
<i>Bone-in</i>	21,554	27,715	15,328	71	55
<i>Boneless</i>	47,267	70,509	65,771	139	93
<i>Bellies</i>	17,986	35,164	39,675	221	113
<i>Loins, Total</i>	38,307	36,440	35,266	92	97
<i>Bone-in</i>	14,202	9,007	9,810	69	109
<i>Boneless</i>	24,105	27,433	25,456	106	93
<i>Ribs</i>	115,590	100,218	104,582	90	104
<i>Butts</i>	18,075	25,799	24,023	133	93
<i>Trimmings</i>	34,096	37,484	43,242	127	115
<i>Other</i>	82,495	93,602	86,793	105	93
<i>Variety Meats</i>	47,968	28,709	27,978	58	97
<i>Unclassified</i>	43,728	39,818	42,145	96	106
Total	475,387	502,324	490,782	103	98
Frozen Beef					
<i>Boneless</i>	524,456	443,933	447,107	85	101
<i>Beef Cuts</i>	43,432	41,260	42,436	98	103
Total	567,888	485,193	489,543	86	101
Other					
<i>Veal</i>	14,426	15,799	16,373	113	104
<i>Lamb & Mutton</i>	26,140	28,977	26,719	102	92
Total	40,566	44,776	43,092	106	96
Total Red Meat	1,083,841	1,032,293	1,023,417	94	99
Chicken					
<i>Broilers, Fryers, Roasters</i>	15,322	16,350	11,960	78	73
<i>Breasts and Breast Meat</i>	190,087	184,012	188,072	99	102
<i>Leg Quarters</i>	128,179	113,777	104,966	82	92
<i>Wings</i>	78,316	76,187	73,998	94	97
<i>Other Chicken</i>	392,162	506,276	507,082	129	100
Total	804,066	896,602	886,078	110	99
Turkey					
<i>Whole Turkeys</i>	74,892	109,056	109,910	147	101
<i>Turkey Breast</i>	73,157	64,000	74,273	102	116
<i>Other</i>	130,692	115,480	126,822	97	110
Total	278,741	288,536	311,005	112	108
<i>Ducks</i>	4,905	2,877	2,387	49	83
Total Poultry	1,087,712	1,188,015	1,199,470	110	101

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