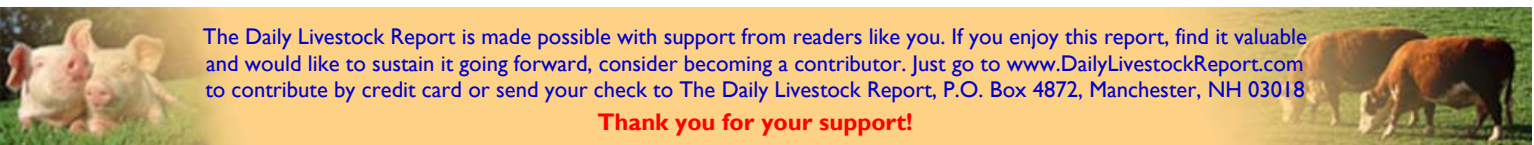
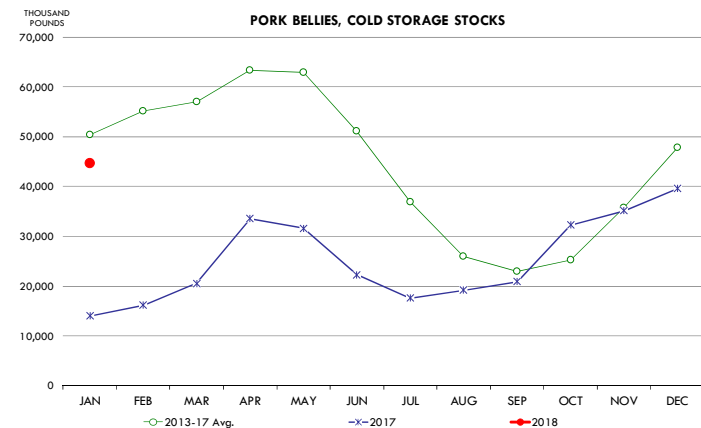
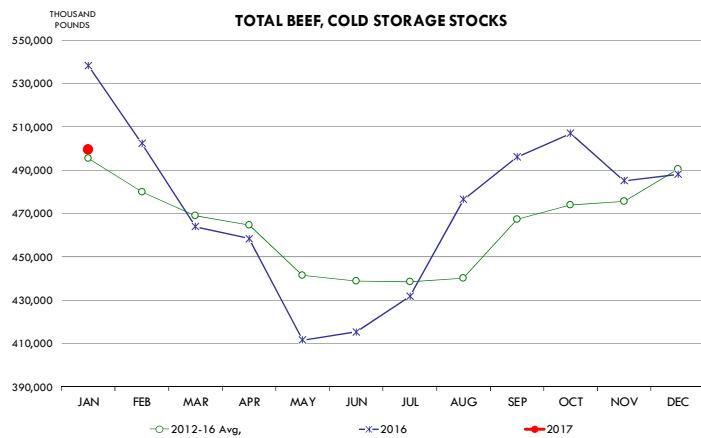
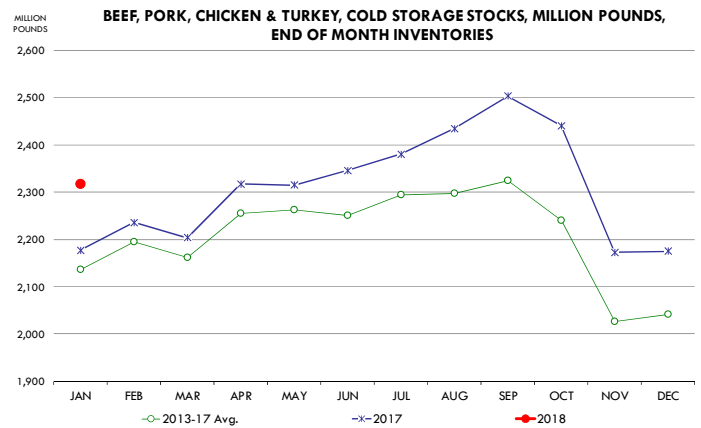


Higher meat protein production and higher exports also imply more product available in cold storage channels. The latest USDA 'Cold Storage' report showed that at the end of January there were 2.317 billion pounds of beef, pork, chicken and turkey in cold storage, .6.4% more than a year ago and 8.5% higher than the five year average. With more beef, pork and chicken already in the production pipeline, we expect cold storage stocks to continue to increase into the spring and summer. The distribution of stocks by species varied, however, and current inventory conditions have different implications for red meat and poultry prices:

Beef: There has been a fair amount of discussion about the amount of beef trimmings end users have started to put away in order to hedge some of the price risk for the spring. Prices for 50CL beef skyrocketed last year and some are speculating that more fat trim is now going into the freezer to avoid a repeat this year. **USDA does not tell us what kind of beef is in storage but the inventory of boneless beef at the end of January was 456.8 million pounds, 8.4% lower than a year ago and just 1.6% higher than a year ago.** When we look at the breakdown of beef inventories, stocks were higher in the Pacific region (+17%), likely to support higher exports. They were also higher in West North Central, cold storage warehouses that are close to packing plants. However, inventories in the Middle Atlantic were down some 56 million pounds (-31%) from a year ago. High prices for fat trim during January appear to have induced processors to work down some of their inventory positions. Overall we view the beef numbers as constructive for the market in the near term.

Pork: Total pork in cold storage at the end of January was 568 million pounds, 8.3% higher than a year ago but still as much as 4.4% less than the five year average. One could view the pork inventory numbers as somewhat bearish given the y/y increase and expected higher production in the next three months. However, we are more inclined to view the report as neutral overall, recognizing that the primary reason pork inventories were higher was due to more bellies in storage. Total pork belly stocks at the end of January were 44.7 million pounds, 219% higher than the minimal levels a year ago. Minimal belly stocks last year set the stage for a sharp increase in price during the summer months. Belly stocks have normalized somewhat but they are still less than in 2014, 2015 and 2016. Pork inventories also remain well below the five year average despite record production. Pork exports have helped absorb much of the increase in pork stocks and we think higher pork inventories are needed to support increased export volumes. Due to confidentiality reasons, USDA does not provide a breakdown of pork inventories by region as it does for beef and chicken. On page 2 you can view the full details for all red meat and poultry items in storage at the end of January.



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USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	31-Jan-17	31-Dec-17	31-Jan-18	Jan-17	Dec-17
	1,000 Pounds				
Frozen Pork					
<i>Picnics, Bone-In</i>	8,993	5,982	6,414	71	107
<i>Hams, Total</i>	95,365	81,082	109,856	115	135
<i>Bone-in</i>	34,094	15,458	30,703	90	199
<i>Boneless</i>	61,271	65,624	79,153	129	121
<i>Bellies</i>	13,995	39,620	44,674	319	113
<i>Loins, Total</i>	39,705	35,129	40,296	101	115
<i>Bone-in</i>	14,212	9,684	14,226	100	147
<i>Boneless</i>	25,493	25,445	26,070	102	102
<i>Ribs</i>	128,029	104,264	111,105	87	107
<i>Butts</i>	23,243	23,883	24,211	104	101
<i>Trimmings</i>	34,281	43,080	49,245	144	114
<i>Other</i>	85,023	86,880	104,518	123	120
<i>Variety Meats</i>	52,415	27,965	30,739	59	110
<i>Unclassified</i>	43,166	42,162	46,926	109	111
Total	524,215	490,047	567,984	108	116
Frozen Beef					
<i>Boneless</i>	499,000	445,881	456,851	92	102
<i>Beef Cuts</i>	39,215	42,176	42,703	109	101
Total	538,215	488,057	499,554	93	102
Other					
<i>Veal</i>	18,535	16,373	19,912	107	122
<i>Lamb & Mutton</i>	20,361	26,714	26,791	132	100
Total	38,896	43,087	46,703	120	108
Total Red Meat	1,101,326	1,021,191	1,114,241	101	109
Chicken					
<i>Broilers, Fryers, Roasters</i>	17,357	11,990	12,873	74	107
<i>Breasts and Breast Meat</i>	191,811	188,070	199,123	104	106
<i>Leg Quarters</i>	109,647	104,563	88,594	81	85
<i>Wings</i>	71,783	74,113	64,733	90	87
<i>Other Chicken</i>	384,479	508,486	511,189	133	101
Total	775,077	887,222	876,512	113	99
Turkey					
<i>Whole Turkeys</i>	124,467	109,644	156,416	126	143
<i>Turkey Breast</i>	73,909	73,195	85,418	116	117
<i>Other</i>	141,117	126,786	131,342	93	104
Total	339,493	309,625	373,176	110	121
<i>Ducks</i>	4,492	2,373	2,802	62	118
Total Poultry	1,119,062	1,199,220	1,252,490	112	104

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