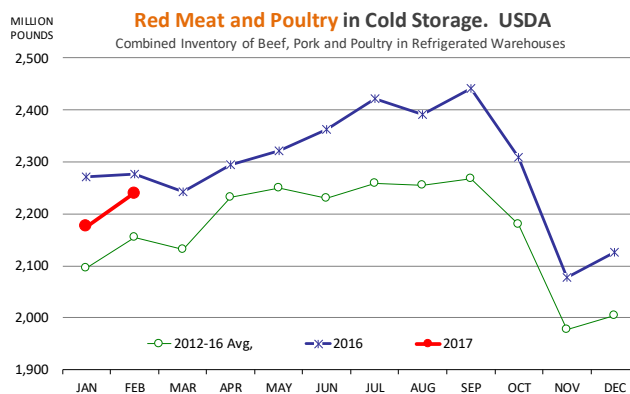


**The latest USDA cold storage report did not present any major surprises but broadly speaking we thought it buttressed the bullish case for beef prices in the very near term.** The total supply of beef, pork, chicken and turkey at the end of February was 2.240 billion pounds, 1.6% less than a year ago but 2.9% higher than the previous month. The pace of increase in inventory was in line with the five year average. Normally we would expect cold storage inventories to pull back a bit in March (see chart) before rising into the spring and early summer. The seasonal increase in supplies coincides with higher meat production but also the need on part of end users to have more stock on hand as they prepare for an increase in sales.

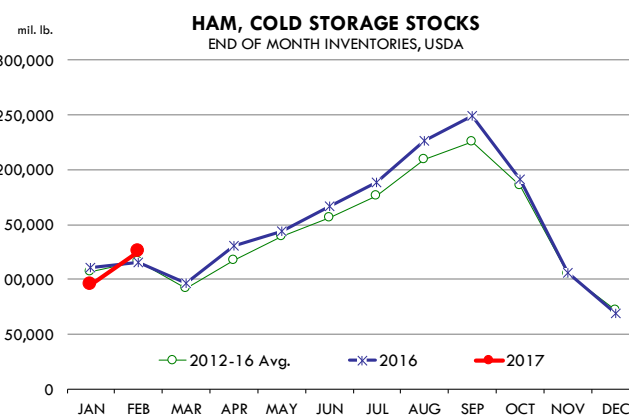
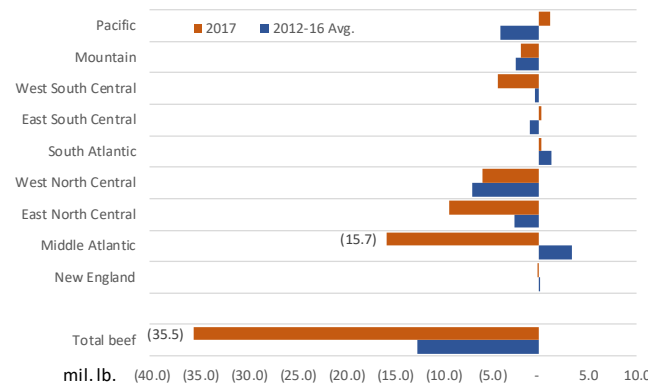
**Beef inventory in cold storage at the end of February was estimated at 502.4 million pounds, 0.8% less than a year ago but still about 6% higher than the five year average.** The main reason we view the beef cold storage numbers as supportive is the pace of stock drawdown in February. Inventories declined by 35.5 million pounds from January levels or 6.6%. This is far more than we normally see at this time of year. And inventories declined even as beef supplies continued to increase. Robust exports, a notable decline in imports and a favorable weather conditions likely all contributed to the larger than expected stock depletion. The chart to the right breaks down the drawdown in stocks by region. Inventories in the Middle Atlantic region have been quite large for some time, as end users took advantage of low prices last fall to bolster their freezer hedges. However, those stocks are quickly being depleted and we expect an even sharper drawdown in March given very high prices for fat trimmings.

**Total pork in cold storage at the end of the month was 572.0 million pounds, 9% less than a year ago and now 11.3% lower than the five year average.** While the overall supply of pork in cold storage remains below a year ago, the inventory build for the month was a bit higher than what we normally see at this time. Inventories of pork products increased 9% from the previous month when the five year average increase is around 6%. Much of this was due to more hams in cold storage in February relative to January levels. **Ham inventories at the end of February were 125.9 million pounds, 32% more than January and now 8.7% more than a year ago.** The five year average inventory build into February is 9%. High ham prices in January and possibly a slower export pace may have contributed to the increase in ham cold storage stocks. Current ham prices are notably lower than at the start of the year and we see the increase in ham inventories as somewhat negative for the pork market in the very near term. Inventories of bellies in cold storage remain extremely low, down 74% from a year ago. There was no appreciable increase in belly stocks during February, which is not a surprise since belly prices were near record highs. We should see more bellies go into freezers in March and April, but maybe not enough to bring the stocks to normal levels.

**Chicken inventories increased 1.5% in February when normally we see a drawdown in stocks during this month.** Breast meat inventories remain burdensome. The inventory of leg quarters increased 3% from the previous month but remains 13% under the five year average. Dark meat prices continue to perform well due to robust exports and improved domestic spring demand.



**Drawdown of February Beef Cold Storage Stocks. 2017 vs. 5-Yr Avg.**  
Based on USDA Data. Analysis by Steiner Consulting



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