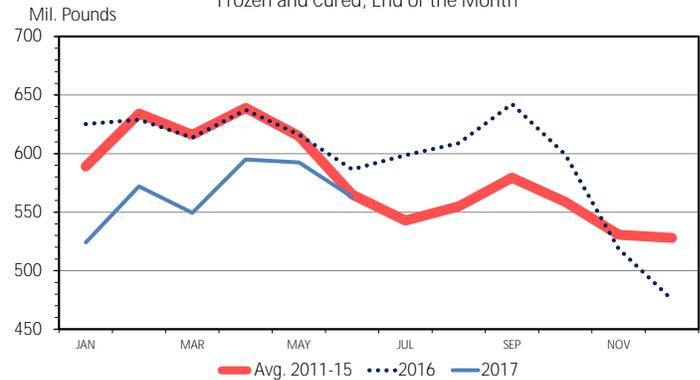


Inventories of meat in cold storage at mid-year were lower than a year ago, except for turkey, according to USDA-NASS (National Agriculture Statistics Service). Although frozen meat quantities were down from twelve months earlier, they were higher than expected in most cases.

Chicken inventories, which constitutes the largest amount of meat in freezers, increased by 23 million pounds during June, the biggest June increase in ten years. Half of the increase was accounted for by leg quarters and the other half came in the "other" category. Last year's mid-year inventory was the highest ever for that time of the year, and this year's frozen inventory is only 1% short of that. Normally, this might be cause for some concern about product demand, but leg quarter wholesale prices this month have increase by almost 10% from June, suggesting that inventory was being accumulated in June to meet an increase in sales obligations (probably export-related) in upcoming months.

The enigma of meat markets this year continues to be pork bellies, or bacon, as frozen inventories remain far below historical norms. Frozen belly holdings at mid-year were down 65% from a year ago. Three months earlier, frozen belly inventories were down 68% from a year earlier. Belly inventories are almost always liquidated during June, and the 9 million pound reduction in stocks was slightly less than the average outflow, but the June outflow as a percentage of June 1 inventories probably set a record. Wholesale belly prices (14-16 lb.) started June at \$2.00 per lb. and finished the month at \$2.30, to give a general idea about how

PORK IN COLD STORAGE
Frozen and Cured, End of the Month



Data Source: USDA-NASS
Livestock Marketing Information Center

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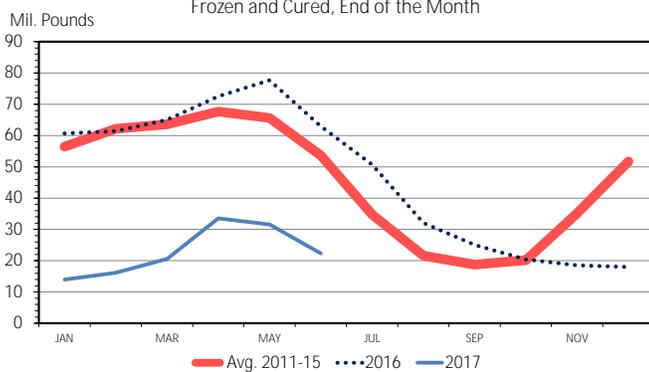
much those 9 million pounds were worth. In June 2016, bellies were worth \$1.65.

The 22 million pounds of bellies in cold storage at the end of June can be measured against an outflow of bellies from cold storage last July of 12 million pounds and the July 2015 outflow of 21 million pounds. USDA-AMS (Agriculture Marketing Service) is currently reporting wholesale belly trade values at \$2.65 per lb. as the market tries to ration supplies. The lowest frozen belly inventory in modern times was 4.8 million pounds at the end of September 2010.

Frozen inventories of other products that come from hogs are not as scarce as bellies. Total pork in cold storage at mid-year was down 4% from a year earlier, or 24 million pounds. The decline in bellies, year-over-year is 40 million pounds. Frozen ham inventories are up 13 million pounds and hams in boneless form are up 22 million pounds. This may suggest that there are some product demand issues for further processed meats, based on the accumulation of boneless product.

A similar situation is occurring for turkey, where breast product inventory is up 21% from a year ago at the end of June. Frozen turkey inventory, in total, at mid-year was up 12% from a year ago. The increase is a consequence of a slow down in turkey consumption during the spring quarter, with preliminary data suggesting a 2-3% decline compared to the second quarter of 2016.

PORK BELLIES IN COLD STORAGE
Frozen and Cured, End of the Month



Data Source: USDA-NASS
Livestock Marketing Information Center

M-S-10
07/24/17

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