Daily Livestock Report

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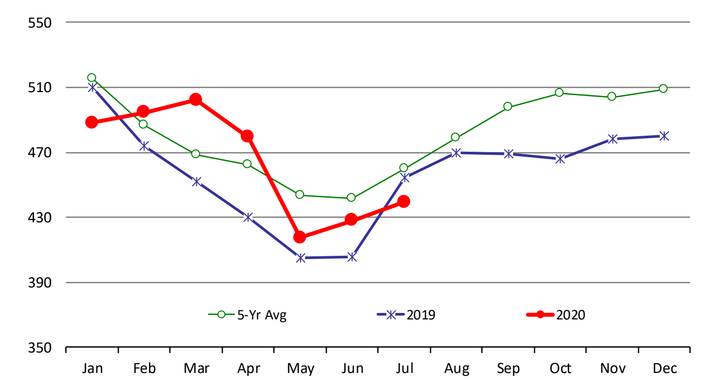
The total supply of beef, pork, chicken and turkey in cold storage at the end of July was still lower than a year ago but looking at the individual proteins separately is more telling. The decline in production during April and May and the resulting impact this had on export business significantly affected the supply of product in cold storage. Just as importantly, end users that normally use freezer inventories as a demand shock absorber were extremely uncertain what that demand would look like, resulting in significant disruptions, especially for some cuts. Finally, retail demand has affected some items more than others. This has limited the amount of some products accumulated in cold storage. So while we do not think the cold storage report tells you whether to be bullish or bearish at a specific point in time, it is one more piece of the supply puzzle. It tells you how exporters and end users are positioned and how the system may respond to shifts in future demand. Below is a brief recap of the latest data :

**Beef**: The supply of beef in cold storage at the end of July was 3.3% lower than a year ago. **Inventories increased by 2.6% from the previous month compared to a 4.2% increase on average the last five years**. Beef production has recovered and it is running near, and some weeks even above, year ago levels. Export business has recovered and recently shipments have been near or even above year ago levels. **High prices for US boneless beef in May and early June encouraged a notable increase in imports during that time, resulting in higher entries during July**. Some of this product went into cold storage. The increase in imports was not enough, however, to offset the strong drawdown from domestic end users. Indeed, the report suggests that domestic demand was in very good shape last month. Boneless beef stocks were 402.7 million pounds, 3.2% lower than a year ago and 4.1% lower than the five year average. July inventories gained 2.2% compared to the previous month, a slower pace than normal. In the last five years, July inventories have increased on average 4.4% from June levels.

**Pork**: **The pork inventory numbers were the more surprising and may be construed as bullish**. The reason for the surprise is that weekly pork production in July averaged almost 10% above year ago levels. And yet, the total supply of pork in cold storage at the end of the month was 458.9 million pounds, 0.3% lower than the previous month and 25% lower than a year ago. In the last five years, freezer inventories in July have declined by 0.4% from June levels and it is quite impressive that we saw a similar drawdown despite the big increase in pork production. It is also impressive that this happened at a time when pork exports continue to run above year ago levels, albeit a bit slower than earlier this spring. Part of the reason why pork did not accumulate in cold storage could be because end users do not perceive a lot of forward price risk and thus do not have an incentive to accumulate freezer hedges. But if demand improves, especially an export surprise and production growth does not meet current expectations, end users may find they need to accumulate more inventory than usual, forcing them to chase the market. Inventories of products such as ribs, hams, picnics, and trim are notably lower than usual. **Ham inventories at the end of July were 25% lower than a year ago and 27% lower than the five year average.**

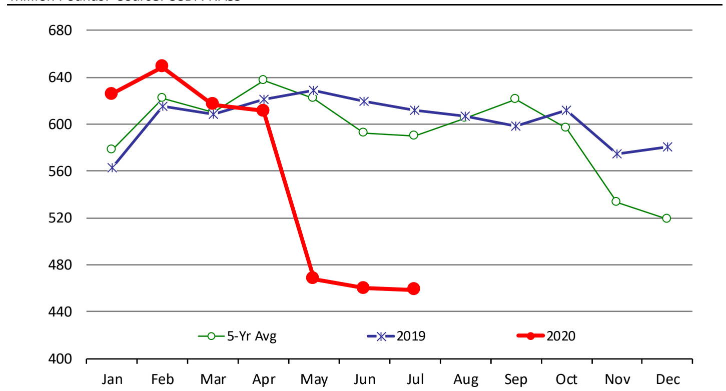
**All Beef In Cold Storage at End of Month**

Million Pounds. Source: USDA-NASS



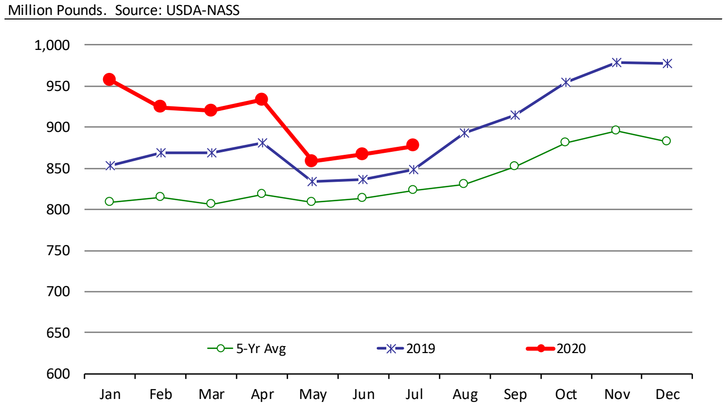

**All Pork In Cold Storage at End of Month**

Million Pounds. Source: USDA-NASS




**All Chicken In Cold Storage at End of Month**

Million Pounds. Source: USDA-NASS




**Chicken**: Chicken market remains well supplied although inventories of some items, such as chicken wings, are tight and this is reflected in current high prices. Whole bird prices have collapsed recently and whole bird inventories in July jumped 19% from June when normally they are up only 5% m/m. Breast meat inventory is still 15% higher than last year and 23% higher than five year average.

**See page 2 for full details**.

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## USDA STOCKS IN COLD STORAGE REPORT

| COMMODITY | Stocks in All Warehouses | | | Percent Of | |
|---|---|---|---|---|---|
| | 31-Jul-19 | 30-Jun-20 | 31-Jul-20 | Jul-19 | Jun-20 |
| | | 1,000 Pounds | | | |
| **Frozen Pork** | | | | | |
| *Picnics, Bone-In* | 7,940 | 8,694 | 7,072 | 89 | 81 |
| *Hams, Total* | 182,555 | 122,993 | 136,327 | 75 | 111 |
| *Bone-in* | 72,816 | 51,087 | 53,072 | 73 | 104 |
| *Boneless* | 109,739 | 71,906 | 83,255 | 76 | 116 |
| *Bellies* | 52,647 | 53,840 | 42,352 | 80 | 79 |
| *Loins, Total* | 46,327 | 32,187 | 37,211 | 80 | 116 |
| *Bone-in* | 20,761 | 15,377 | 14,929 | 72 | 97 |
| *Boneless* | 25,566 | 16,810 | 22,282 | 87 | 133 |
| *Ribs* | 84,866 | 64,857 | 62,933 | 74 | 97 |
| *Butts* | 18,363 | 13,161 | 13,511 | 74 | 103 |
| *Trimmings* | 47,546 | 43,772 | 40,862 | 86 | 93 |
| *Other* | 87,129 | 53,439 | 47,844 | 55 | 90 |
| *Variety Meats* | 31,186 | 23,441 | 23,549 | 76 | 100 |
| *Unclassified* | 53,133 | 43,789 | 47,241 | 89 | 108 |
| ***Total*** | **611,692** | **460,173** | **458,902** | **75** | **100** |
| **Frozen Beef** | | | | | |
| *Boneless* | 418,924 | 396,945 | 405,670 | 97 | 102 |
| *Beef Cuts* | 35,540 | 31,227 | 33,645 | 95 | 108 |
| ***Total*** | **454,464** | **428,172** | **439,315** | **97** | **103** |
| **Other** | | | | | |
| *Veal* | 4,717 | 3,474 | 5,441 | 115 | 157 |
| *Lamb & Mutton* | 43,052 | 46,524 | 44,740 | 104 | 96 |
| ***Total*** | **47,769** | **49,998** | **50,181** | **105** | **100** |
| ***Total Red Meat*** | **1,113,925** | **938,343** | **948,398** | **85** | **101** |
| **Chicken** | | | | | |
| *Broilers, Fryers, Roasters* | 20,410 | 22,458 | 26,703 | 131 | 119 |
| *Breasts and Breast Meat* | 176,599 | 214,957 | 203,571 | 115 | 95 |
| *Leg Quarters* | 63,383 | 68,155 | 79,784 | 126 | 117 |
| *Wings* | 64,545 | 53,980 | 50,271 | 78 | 93 |
| *Other Chicken* | 523,142 | 507,165 | 516,534 | 99 | 102 |
| ***Total*** | **848,079** | **866,715** | **876,863** | **103** | **101** |
| **Turkey** | | | | | |
| *Whole Turkeys* | 310,002 | 255,440 | 285,836 | 92 | 112 |
| *Turkey Breast* | 100,611 | 83,869 | 88,620 | 88 | 106 |
| *Other* | 146,418 | 135,477 | 148,670 | 102 | 110 |
| ***Total*** | **557,031** | **474,786** | **523,126** | **94** | **110** |
| *Ducks* | 3,820 | 8,724 | 7,789 | 204 | 89 |
| ***Total Poultry*** | **1,408,930** | **1,350,225** | **1,407,778** | **100** | **104** |



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