

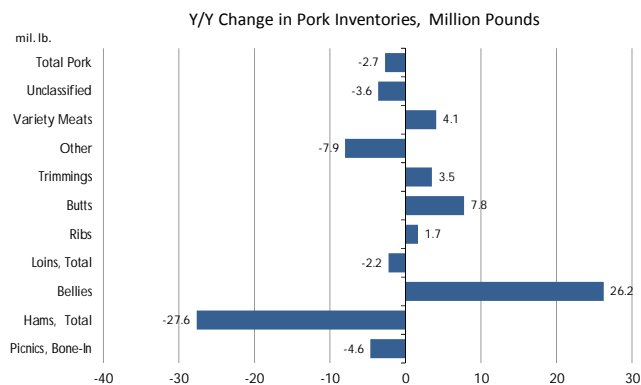
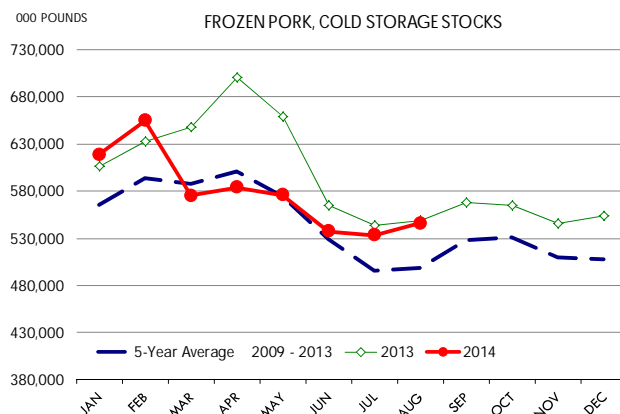
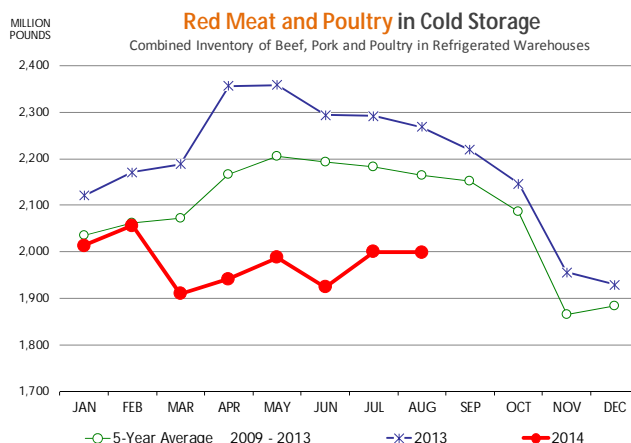
**First take:** Neutral for pork, bullish for beef and chicken

**Highlights:** Total supply of beef, pork and chicken in cold storage at the end of the month was 1.999 billion pounds, 11.9% lower than a year ago and 7.7% lower than the five year average. Tight meat protein supplies remain supportive of prices going into the holiday season.

**Beef stocks** were pegged at 343.7 million pounds, down 20.1% from a year ago and 18.1% lower than the five year average. Inventory of boneless beef, which includes both domestic and imported grinding beef, was pegged at 305.4 million pounds, 20.6% lower than a year ago and 14.8% lower than the five year average. Inventories declined 7% from the previous month when normally the drawdown in stocks is only about 2%. It is also interesting to note that despite a big surge in beef imports from Australia (+50% YTD), overall freezer inventories are extremely tight. End users faced with sharply higher beef prices have drawn down inventories and are opting to go hand to mouth. In a tight supply environment, this will further exacerbate the upward price pressure as end users have to bid up prices and have limited inventory to fall back on. The inventory of beef cuts in cold storage was 38.2 million pounds, 16% lower than a year ago and a tremendous 40% below the five year average. Holidays are only three months away and the tight freezer stocks remain bullish for items that normally end users accumulate in late summer and early fall.

**Pork inventories** at the end of August were 546.3 million pounds, 0.5% lower than a year ago but 9.4% higher than the five year average. Inventories rose 2.4% from the previous month, an increase that is a bit larger than normal for this time of year. However, this was largely driven by an increase in ham stocks. With ham prices firm, we expect some of this was due to export product destined to go to export that likely had to be diverted. Despite the increase in ham inventories, stocks remain below year ago levels (see chart). Also, the pullback in prices in August likely had some packers/end users put more product in storage, anticipating that slaughter numbers would be tight in September and October. Pork belly inventories at 45.6 million pounds declined some 30% from the previous month while the normal drawdown in stocks is 37%. Pork belly inventories remain some 135% higher than a year ago and 117.3% higher than the five year average. Belly prices are weak and the cold storage numbers explain part of that weakness. With limited retail features, bellies have struggled this summer.

**Broiler inventories** were 616.0 million pounds at the end of August, 13.1% lower than a year ago and 7.2% lower than the five year average. Current stocks are supportive of the broiler market in the short term. Items like wings should continue to be well supported going into the fall. End users have been reluctant to build inventories given expectations of increasing broiler supplies in the fall and winter. While lower grain prices should encourage expansion, for now broiler supplies remain well below expectations and lower inventories should continue to underpin prices going into the fall.



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# Daily Livestock Report

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## USDA STOCKS IN COLD STORAGE REPORT

| COMMODITY                         | Stocks in All Warehouses |                  |                  | Percent Of |            |
|-----------------------------------|--------------------------|------------------|------------------|------------|------------|
|                                   | 31-Aug-13                | 31-Jul-14        | 31-Aug-14        | Aug-13     | Jul-14     |
|                                   | 1,000 Pounds             |                  |                  |            |            |
| <b>Frozen Pork</b>                |                          |                  |                  |            |            |
| <i>Picnics, Bone-In</i>           | 13,808                   | 6,909            | 9,199            | 67         | 133        |
| <i>Hams, Total</i>                | 207,006                  | 148,905          | 179,362          | 87         | 120        |
| <i>Bone-in</i>                    | 103,615                  | 69,161           | 86,030           | 83         | 124        |
| <i>Boneless</i>                   | 103,391                  | 79,744           | 93,332           | 90         | 117        |
| <i>Bellies</i>                    | 19,335                   | 64,644           | 45,575           | 236        | 71         |
| <i>Loins, Total</i>               | 24,938                   | 24,275           | 22,690           | 91         | 93         |
| <i>Bone-in</i>                    | 8,934                    | 7,908            | 7,915            | 89         | 100        |
| <i>Boneless</i>                   | 16,004                   | 16,367           | 14,775           | 92         | 90         |
| <i>Ribs</i>                       | 48,298                   | 55,140           | 49,980           | 103        | 91         |
| <i>Butts</i>                      | 16,737                   | 21,116           | 24,525           | 147        | 116        |
| <i>Trimming</i>                   | 36,642                   | 42,413           | 40,169           | 110        | 95         |
| <i>Other</i>                      | 97,662                   | 87,745           | 89,723           | 92         | 102        |
| <i>Variety Meats</i>              | 28,882                   | 31,906           | 32,965           | 114        | 103        |
| <i>Unclassified</i>               | 55,667                   | 50,206           | 52,117           | 94         | 104        |
| <b>Total</b>                      | <b>548,975</b>           | <b>533,259</b>   | <b>546,305</b>   | <b>100</b> | <b>102</b> |
| <b>Frozen Beef</b>                |                          |                  |                  |            |            |
| <i>Boneless</i>                   | 384,710                  | 326,894          | 305,432          | 79         | 93         |
| <i>Beef Cuts</i>                  | 45,526                   | 39,370           | 38,232           | 84         | 97         |
| <b>Total</b>                      | <b>430,236</b>           | <b>366,264</b>   | <b>343,664</b>   | <b>80</b>  | <b>94</b>  |
| <b>Other</b>                      |                          |                  |                  |            |            |
| <i>Veal</i>                       | 3,839                    | 3,952            | 3,583            | 93         | 91         |
| <i>Lamb &amp; Mutton</i>          | 21,988                   | 33,968           | 40,129           | 183        | 118        |
| <b>Total</b>                      | <b>25,827</b>            | <b>37,920</b>    | <b>43,712</b>    | <b>169</b> | <b>115</b> |
| <b>Total Red Meat</b>             | <b>1,005,038</b>         | <b>937,443</b>   | <b>933,681</b>   | <b>93</b>  | <b>100</b> |
| <b>Chicken</b>                    |                          |                  |                  |            |            |
| <i>Broilers, Fryers, Roasters</i> | 22,482                   | 13,578           | 12,603           | 56         | 93         |
| <i>Breasts and Breast Meat</i>    | 96,011                   | 104,948          | 105,501          | 110        | 101        |
| <i>Leg Quarters</i>               | 162,467                  | 119,748          | 127,234          | 78         | 106        |
| <i>Wings</i>                      | 102,772                  | 61,962           | 61,810           | 60         | 100        |
| <i>Other Chicken</i>              | 325,370                  | 313,018          | 308,880          | 95         | 99         |
| <b>Total</b>                      | <b>709,102</b>           | <b>613,254</b>   | <b>616,028</b>   | <b>87</b>  | <b>100</b> |
| <b>Turkey</b>                     |                          |                  |                  |            |            |
| <i>Whole Turkeys</i>              | 335,553                  | 288,619          | 300,607          | 90         | 104        |
| <i>Turkey Breast</i>              | 76,562                   | 53,420           | 49,232           | 64         | 92         |
| <i>Other</i>                      | 167,954                  | 144,973          | 142,930          | 85         | 99         |
| <b>Total</b>                      | <b>580,069</b>           | <b>487,012</b>   | <b>492,769</b>   | <b>85</b>  | <b>101</b> |
| <i>Ducks</i>                      | 2,480                    | 1,853            | 2,590            | 104        | 140        |
| <b>Total Poultry</b>              | <b>1,291,651</b>         | <b>1,102,119</b> | <b>1,111,387</b> | <b>86</b>  | <b>101</b> |

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