Daily Livestock Report

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USDA will issue the results of its quarterly survey of hog producers tomorrow afternoon (3PM ET) and we will provide a recap of analyst expectations tomorrow morning. Today we will focus on the cold storage data that was released yesterday afternoon by USDA-NASS. While overall red meat and poultry production in August was back to year ago levels, cold storage stocks at the end of the month were estimated at 2.343 billion pounds, 7.4% lower than the previous year. Lower pork inventories we the primary contributor to the decline in pork inventories. This could increase price risk for pork products in Q4 given the potential for higher exports and the effect of COVID mitigation measures on production capacity.

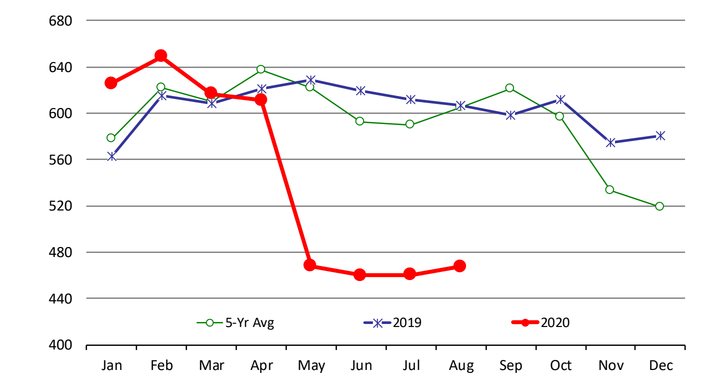
Below is a quick review and implications for the three main proteins:

- The total supply of beef in cold storage at the end of August was 460.2 million pounds, 4.6% higher than the previous month but still 2.1% lower than the previous year. Higher beef imports likely contributed to the overall increase in beef inventories, with boneless beef stocks up 5.4% compared to July levels. In the past five years inventories have increased an average of 3.9% from July to August. Inventories of beef cuts, however, declined 6.1% from July and were 12.7% lower than the previous year. Overall the increase in beef inventories was in line with historical levels and may not prove consequential for the market.

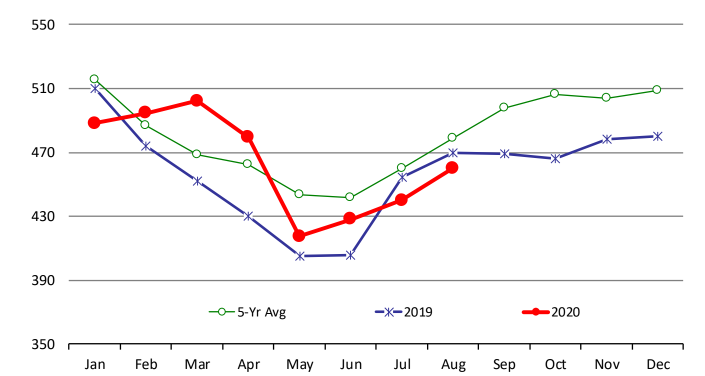
- Pork production rebounded in August and yet the inventory of pork in cold storage barely increased compared to the previous month. This suggests good movement through retail and export c channels. **The supply of pork in cold storage at the end of August was estimated at 467.7 million pounds, 22.9% lower than a year ago and 22.7% lower than the five year average**. In the last five years August inventories have increased an average of 2.6% from July but this year the increase was 1.5%. It is interesting that cold storage freezer stocks are down even as pork exports continue to run above year ago levels. This would suggest that end users have limited the amount of pork they have in cold storage, possibly because they did not expect significant inflationary pressures this fall. Retail demand appears to be very good, as well. Faced with higher inflation risk due to ASF in Germany, end users have become much more active in the market, pushing wholesale prices higher. This could further limit inventory build going into peak demand, especially for items like hams. **The inventory of hams in cold storage at the end of August was 148.1 million pounds, 27% lower than a year ago and 31% lower than the five year average**. Ham inventories from July to August increased 8% compared to an average increase of 14% in the last five years. End users are going into the holiday season with substantially less product in storage than in the past. The inventory of bellies in cold storage at the end of August was 30.5 million pounds, 33% lower than last year. Back in March belly inventories were 33% higher than last year. Inventories in August dropped 28% from July compared to a 21% average drawdown in stocks in previous years.

- The **inventory of chicken in cold storage at the end of August was 883.0 million pounds, 0.7% lower than last year but 6.4% higher than the five year average**. Chicken inventories increased 1% from July to August, in line with the average of the last five years. Chicken breast supplies were 12.4% higher than last year and 26% higher than the five year average. Inventories of leg quarters also remain plentiful, with 10% more product at the end of August than a year ago. Wings, however, are tight, with supplies down 27% lower than last year and 35% lower than the five year average. Whole turkey supply remains tight. Inventories at the end of August were 10.7% lower than last year.

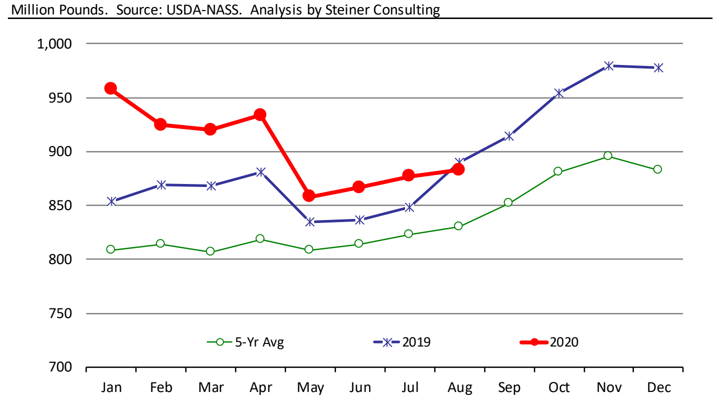
All Pork In Cold Storage at End of Month
Million Pounds. Source: USDA-NASS. Analysis by Steiner Consulting



All Beef In Cold Storage at End of Month
Million Pounds. Source: USDA-NASS. Analysis by Steiner Consulting



All Chicken In Cold Storage at End of Month
Million Pounds. Source: USDA-NASS. Analysis by Steiner Consulting



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USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	31-Aug-19	31-Jul-20	31-Aug-20	Aug-19	Jul-20
		1,000 Pounds			
Frozen Pork					
Picnics, Bone-In	10,063	7,089	7,610	76	107
Hams, Total	202,454	136,621	148,055	73	108
Bone-in	80,648	53,366	58,846	73	110
Boneless	121,806	83,255	89,209	73	107
Bellies	45,723	42,374	30,533	67	72
Loins, Total	42,371	37,189	39,714	94	107
Bone-in	19,837	14,935	14,213	72	95
Boneless	22,534	22,254	25,501	113	115
Ribs	79,353	63,169	62,593	79	99
Butts	16,200	13,557	14,520	90	107
Trimmings	42,008	41,020	37,467	89	91
Other	85,780	48,069	53,645	63	112
Variety Meats	32,743	23,937	25,566	78	107
Unclassified	50,089	47,610	47,979	96	101
Total	**606,784**	**460,635**	**467,682**	**77**	**102**
Frozen Beef					
Boneless	433,698	406,548	428,631	99	105
Beef Cuts	36,178	33,628	31,588	87	94
Total	**469,876**	**440,176**	**460,219**	**98**	**105**
Other					
Veal	5,386	5,328	6,400	119	120
Lamb & Mutton	46,642	44,712	42,418	91	95
Total	**52,028**	**50,040**	**48,818**	**94**	**98**
Total Red Meat	**1,128,688**	**950,851**	**976,719**	**87**	**103**
Chicken					
Broilers, Fryers, Roasters	22,029	26,670	29,136	132	109
Breasts and Breast Meat	180,884	203,487	203,247	112	100
Leg Quarters	73,078	79,798	80,496	110	101
Wings	69,763	50,239	50,883	73	101
Other Chicken	543,831	516,659	519,219	95	100
Total	**889,585**	**876,853**	**882,981**	**99**	**101**
Turkey					
Whole Turkeys	322,864	285,191	288,407	89	101
Turkey Breast	95,973	88,499	86,759	90	98
Other	144,239	148,635	156,597	109	105
Total	**563,076**	**522,325**	**531,763**	**94**	**102**
Ducks	3,781	7,795	6,752	179	87
Total Poultry	**1,456,442**	**1,406,973**	**1,421,496**	**98**	**101**