Daily Livestock Report

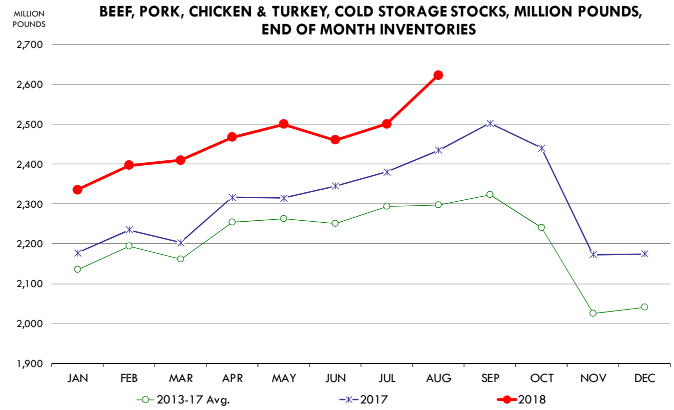
Sponsored in part by CME Group

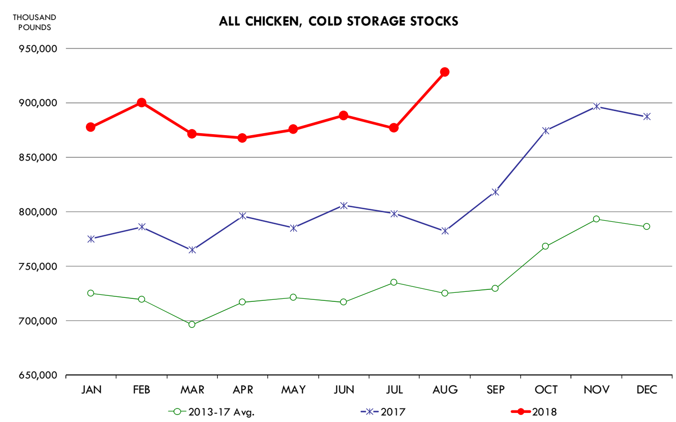
Vol. 16, No. 189 / September 25, 2018

At the end of August there were 2.622 billion pounds of beef, pork, chicken and turkey in cold storage, 7.7% more than a year ago and 14.1% more than the five year average. The combined inventory increased 4.9% compared to where it was in July. In the last five years, August inventories have on averaged increased just 0.2% from July levels.

The higher inventories were largely driven by a big jump in chicken cold storage stocks. Broiler product prices were particularly weak in August and it appears processors had to put product away in the freezer rather than continue to push it into the marketplace. **The inventory of all chicken products at the end of August was 927.6 million pounds, 18.6% higher than a year ago and now 28% above year ago levels**. According to the USDA survey, of the +145 million pound of additional chicken supply, some 70 million pounds was located in the South Atlantic region and another 50 million pounds was located in the West South Central. These are two areas with a concentration of chicken producing plants and suggest who owns these inventories. Inventories of wings at the end of August were 97.6 million pounds, 54% higher than last year and 25.4% higher than the five year average. Some of the stockpiling is likely due to the normal preparations ahead of the start of NFL season. August broiler wing inventories were up 11% vs. July. This compares to a five year average buildup of 5%. We think that low priced chicken breasts have bolstered boneless wing features and negatively impacted wing demand. The inventory of leg quarters remains well below year ago levels as export demand appears to be in good shape. **Total beef inventories at the end of August were 503.5 million pounds, 5.6% higher than last year and 14.4% higher than the five year average**. Boneless beef inventories at 458.6 million pounds were 4.7% higher than last year and 14.6% higher than the five year average. Beef inventories increased 3.3% in August compared to a five year average m/m increase of 0.1%. Beef exports were quite robust through August and this may have contributed to the increase in inventories. Beef imports have not increased appreciably vs. last year so we do not see that as a reason for the increase in beef stocks. Beef price inflation has been a concern for a number of end users and so far they remain willing to hold more product in stock in order to manage their purchases. **While the beef number may not be bearish per se, it tends to add to the overall supply of protein carried into the fall, especially when considering the higher feedlot supplies (+5.9%).**

The total supply of pork in cold storage at the end of August was 582.6 million pounds, 1.2% higher than a year ago and 0.6% lower than the five year average. **Pork inventories increased 6% compared to July when on average we have seen August stocks increase by 2.4%**. In the last two weeks pork prices have recovered as Hurricane Florence forced packers to idle some major plants. The supply of hogs on the ground is higher than a year ago and pork production should establish record highs later this fall. The total **pork belly inventory at the end of August was 35 million pounds, 82% higher than last year and 34.6% higher than the five year average**. In the last five years pork belly inventories have declined 30% from July to August. This year the decline was just 14%. Ham inventories in August were 204.8 million pounds, 0.4% higher than last year but still 2.8% lower than the five year average.





Takeaway: Large meat protein supplies, a big increase in feedlot inventories and expected record pork production this fall will likely temper meat price inflation in the near term. We would expect to see more pork going into cold storage in part because end users will likely be more comfortable to put product away knowing that seasonally pork supplies will decline in Q1 (vs. Q4). Risk from ASF and the forward futures premiums should make it more feasible to put pork in cold storage in Q4.

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USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	31-Aug-17	31-Jul-18	31-Aug-18	Aug-17	Jul-18
		1,000 Pounds			
Frozen Pork					
Picnics, Bone-In	8,176	8,157	8,943	109	110
Hams, Total	203,887	166,390	204,776	100	123
Bone-in	91,736	71,157	91,772	100	129
Boneless	112,151	95,233	113,004	101	119
Bellies	19,213	40,654	34,969	182	86
Loins, Total	32,641	26,623	30,897	95	116
Bone-in	10,180	7,257	10,108	99	139
Boneless	22,461	19,366	20,789	93	107
Ribs	74,341	81,533	77,841	105	95
Butts	16,308	13,245	11,532	71	87
Trimmings	34,811	39,643	42,253	121	107
Other	99,330	86,046	87,125	88	101
Variety Meats	37,736	34,464	34,526	91	100
Unclassified	49,255	52,893	49,730	101	94
Total	**575,698**	**549,648**	**582,592**	**101**	**106**
Frozen Beef					
Boneless	438,094	443,960	458,561	105	103
Beef Cuts	38,473	40,165	44,888	117	112
Total	**476,567**	**484,125**	**503,449**	**106**	**104**
Other					
Veal	15,311	18,096	14,257	93	79
Lamb & Mutton	32,383	42,129	39,709	123	94
Total	**47,694**	**60,225**	**53,966**	**113**	**90**
Total Red Meat	**1,099,959**	**1,093,998**	**1,140,007**	**104**	**104**
Chicken					
Broilers, Fryers, Roasters	22,154	16,380	20,857	94	127
Breasts and Breast Meat	169,854	170,386	174,660	103	103
Leg Quarters	114,455	81,329	97,912	86	120
Wings	63,417	88,253	97,566	154	111
Other Chicken	412,173	520,150	536,604	130	103
Total	**782,053**	**876,498**	**927,599**	**119**	**106**
Turkey					
Whole Turkeys	348,701	329,214	348,742	100	106
Turkey Breast	101,706	99,288	91,074	90	92
Other	149,606	161,745	168,777	113	104
Total	**600,013**	**590,247**	**608,593**	**101**	**103**
Ducks	3,868	4,285	3,974	103	93
Total Poultry	**1,385,934**	**1,471,030**	**1,540,166**	**111**	**105**