Daily Livestock Report

Vol. 15, No. 189 / September 26, 2017

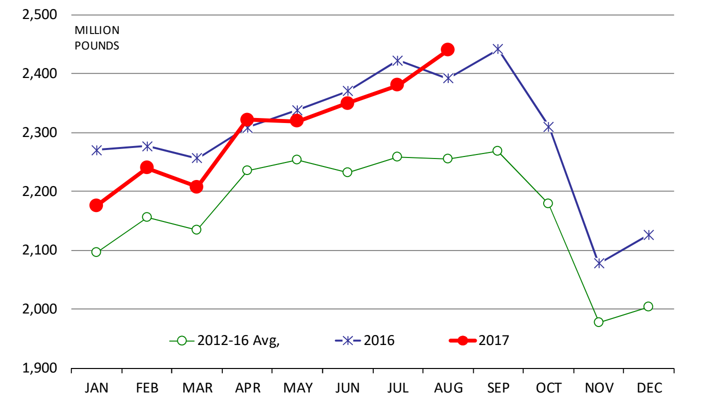
<u>Combined production of beef, pork, chicken and turkey in August was estimated by USDA to be 8.962 billion pounds, 318 million pounds (+3.7%) higher than a year ago and the largest amount of meat protein produced in a given month</u>. More production days (23) certainly contributed to the increase in monthly output and when we adjust for production on a daily basis there have been a number of other months, particularly last year, when output actually exceeded this year. One also needs to recognize the fact that from a pricing perspective, the rate of change rather than the absolute volume tends to be more important. Markets need time to adjust to shifts in supply and sudden large shifts in output will lead to more dramatic price moves. In the last quarter of 2016 the combined <u>DAILY</u> output of red meat and poultry increased by an average of 5.3%. By comparison, in Q2 of this year daily average output increased by around 2% and so far in Q3 daily production is increasing by 3.2%.

As meat protein supplies continue to expand, market participants are paying close attention to the supply of meat in cold storage. Large production increases accompanied by a big increase in cold storage stocks may indicate that the market may be having trouble absorbing all the increase and product is backing up. But as with much in this life, there are caveats. Sure production may be increasing but if exports are increasing as well, the rise in cold storage stocks may simply reflect more supply being staged in warehouses before it gets shipped out of the country. The export component, therefore, is an important consideration and should be viewed in tandem with the cold storage data. The latest USDA cold storage report paints a somewhat mixed picture for the protein industry. At the end of August, there were 2.491 billion pounds of red meat and poultry in cold storage (see page 2), 45.2 million pounds (+1.8%) more than a year ago. Inventories normally increase into early fall before end users start to deplete them to support holiday needs. Beef, pork and chicken exports continue to trend above year ago levels and thus we do not see the level of increase in cold storage as particularly problematic. The larger stocks and expectations of continued supply increases in the coming months should help temper meat protein price inflation, however. Boneless beef inventories rose rapidly in August. At 437.8 million pounds the boneless beef inventory increased by 10% compared to the previous month when normally inventories get depleted. We do not know exactly what kind of beef products are included in this boneless beef total but suspect that the sharp decline in fat beef trimmings may have pushed some of this product in cold storage. Beef imports also increased in June and July and some of this product also may have added to the overall inventory stocks. Finally, the beef export pace remains quite strong, with August beef shipments up sharply from the previous year (15-20%) and on track to increase some 8-10% in September.

Total pork inventories in cold storage at the end of August were 575.7 million pounds, 5.5% less than the previous year and 2.1% less than the five year average. While pork inventories rose 3.8% compared to the previous month, this increase was generally in line with what we normally see during this time of year. In the last five years ham inventories have increased by an average of 19% from July to August. This year the increase was just 4%. End users normally build ham inventories between May and September in order to support holiday demand. However, with pork production expected to hit all time record levels this fall, some end users may have opted to slow down some of their inventory build. We continue to see very robust pork export demand and the smaller inventories should be supportive of the pork market later into the year. Turkey and chicken breast inventories are burdensome as consumer demand shifts towards wings/dark meat

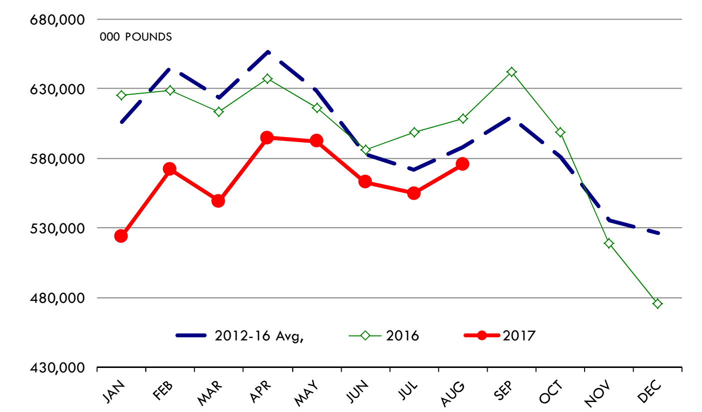
Red Meat and Poultry in Cold Storage. Source: USDA/NASS

Combined Inventory of Beef, Pork and Poultry in Refrigerated Warehouses. Million Pounds.



<u>Total Pork</u> Supply in Cold Storage. Source: USDA/NASS

Combined Inventory of Beef, Pork and Poultry in Refrigerated Warehouses. '000 Pounds.



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USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	31-Aug-16	31-Jul-17	31-Aug-17	Aug-16	Jul-17
		1,000 Pounds			
Frozen Pork					
Picnics, Bone-In	8,446	6,648	8,174	97	123
Hams, Total	226,070	194,968	203,636	90	104
Bone-in	117,166	87,178	91,737	78	105
Boneless	108,904	107,790	111,899	103	104
Bellies	32,053	17,602	19,080	60	108
Loins, Total	31,277	33,878	32,622	104	96
Bone-in	10,635	9,826	10,183	96	104
Boneless	20,642	24,052	22,439	109	93
Ribs	75,957	77,182	74,779	98	97
Butts	15,310	14,502	16,342	107	113
Trimmings	33,045	29,858	34,683	105	116
Other	85,713	91,725	99,349	116	108
Variety Meats	51,973	40,879	37,783	73	92
Unclassified	49,111	47,612	49,233	100	103
Total	**608,955**	**554,854**	**575,681**	**95**	**104**
Frozen Beef					
Boneless	439,408	398,071	437,787	100	110
Beef Cuts	37,185	33,765	38,473	103	114
Total	**476,593**	**431,836**	**476,260**	**100**	**110**
Other					
Veal	8,350	16,329	15,311	183	94
Lamb & Mutton	36,563	26,769	32,383	89	121
Total	**44,913**	**43,098**	**47,694**	**106**	**111**
Total Red Meat	**1,130,461**	**1,029,788**	**1,099,635**	**97**	**107**
Chicken					
Broilers, Fryers, Roasters	22,965	22,807	22,227	97	97
Breasts and Breast Meat	150,037	172,907	169,075	113	98
Leg Quarters	132,610	125,073	114,261	86	91
Wings	91,085	60,238	62,525	69	104
Other Chicken	377,008	417,095	412,066	109	99
Total	**773,705**	**798,120**	**780,154**	**101**	**98**
Turkey					
Whole Turkeys	283,719	346,277	357,521	126	103
Turkey Breast	83,041	103,097	102,081	123	99
Other	165,819	146,249	148,253	89	101
Total	**532,579**	**595,623**	**607,855**	**114**	**102**
Ducks	9,592	3,903	3,868	40	99
Total Poultry	**1,315,876**	**1,397,646**	**1,391,877**	**106**	**100**
TOTAL Red Meat/Poultry	**2,446,337**	**2,427,434**	**2,491,512**	**102**	**103**