

The four species inventory in cold storage at the end of September was higher than the previous month and remains well above year ago levels. However, **inventories increased at a slower pace, in part because beef and pork production did not increase by as much as earlier expected.** We think futures market participants may view these results as supportive for Q4 but not entirely unexpected. The ever increasing supply of chicken in cold storage remains an issue and it appears producers are taking steps to address it, as evidenced by the rapid decline in the broiler hatching flock and reduction in chick placement numbers. Below are some key highlights by protein:

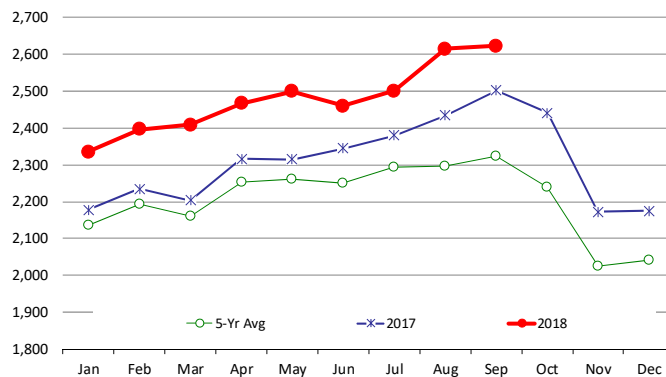
Beef: **Beef freezer inventory at the end of September was estimated at 508.6 million pounds, 2.5% higher than a year ago and 8.8% higher than the five year average.** Inventories in September increased by 1.5% while in the last five years the Aug/Sep stocks have increased by an average of 6.2%. Boneless beef inventories were 460.4 million pounds, 1.3% higher than last year and just 0.7% higher than August levels. Beef production was smaller than a year ago this past September due to one less production day and less aggressive fed cattle marketings. Combined with lower imports and robust exports this limited the pace of beef inventory build last month. It appears more beef cuts have gone into cold storage, something we also observed last year. We think this is not a result of weaker demand. Rather, the higher inventories represent end user efforts to accumulate product for year-end holiday needs. More beef ribs may have gone into storage but USDA does not provide that kind of detail.

Pork: Disruptions caused by Hurricane Florence in North Carolina and one less slaughter day reduced the amount of pork produced in September. The total supply of pork in cold storage at the end of September was estimated to be 588.9 million pounds. **Inventories increased 1.3% from August levels compared to a five year average m/m increase of 3.6%.** Last year September inventories jumped 7.4% from August levels. The current inventory of pork in cold storage is 4.8% smaller than it was last year and 3% smaller than the five year average. With less pork than expected coming to market and rising prices, it should not be a surprise that the normal inventory build was slow. Market participants will likely view the number as positive going into Q4 when supplies are expected to rapidly increase. Hams are normally a critical item at this time of year as they need to carry the carcass value at a time when loin, shoulder and trim prices seasonally decline. The total inventory of hams in cold storage at the end of September was 214.6 million pounds, 7.5% lower than a year ago and 6.2% lower than the five year average.

Poultry: **The supply of whole broiler and broiler parts in cold storage was estimated at 959.4 million pounds, 17.3% higher than a year ago and 31.6% higher than the five year average.** Freezer stocks are burdensome at this time. Inventories of wings and various chicken parts continue to back up in the freezer. On the other hand the glut of turkey meat appears to be easing. Turkey breast inventories were 14% lower than a year ago at the end of September.

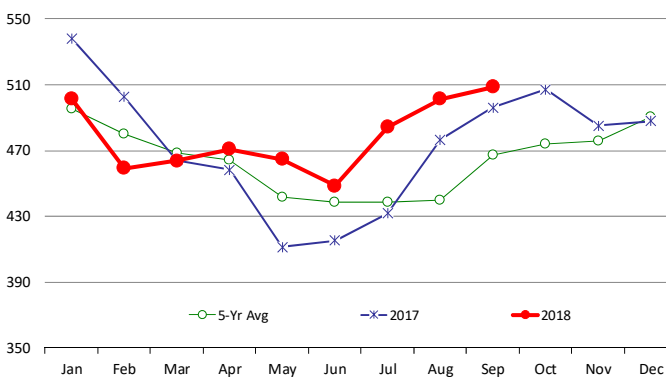
Combined Beef, Pork, Chicken and Turkey in Cold Storage at End of Month

Million Pounds. Source: USDA-NASS



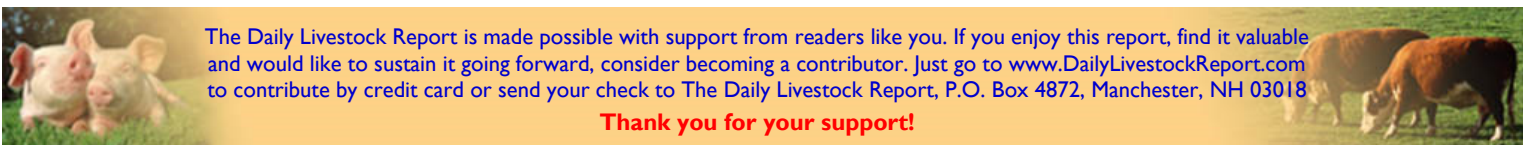
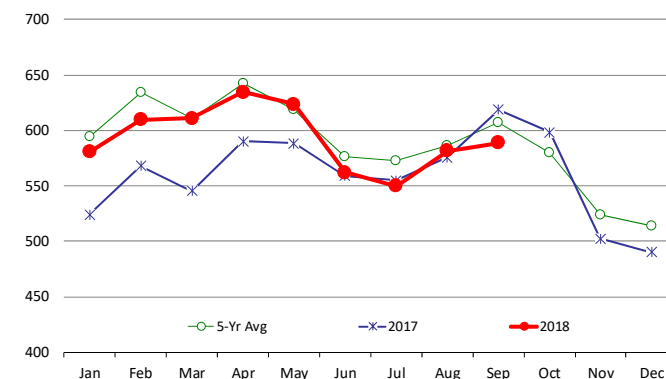
All Beef In Cold Storage at End of Month

Million Pounds. Source: USDA-NASS



All Pork In Cold Storage at End of Month

Million Pounds. Source: USDA-NASS



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USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	30-Sep-17	31-Aug-18	30-Sep-18	Sep-17	Aug-18
	1,000 Pounds				
Frozen Pork					
<i>Picnics, Bone-In</i>	8,745	8,874	8,369	96	94
<i>Hams, Total</i>	232,034	204,769	214,628	92	105
<i>Bone-in</i>	99,301	91,769	93,280	94	102
<i>Boneless</i>	132,733	113,000	121,348	91	107
<i>Bellies</i>	20,897	34,805	30,301	145	87
<i>Loins, Total</i>	34,291	30,571	33,759	98	110
<i>Bone-in</i>	12,129	9,808	11,098	91	113
<i>Boneless</i>	22,162	20,763	22,661	102	109
<i>Ribs</i>	88,032	77,800	83,213	95	107
<i>Butts</i>	17,247	11,498	13,286	77	116
<i>Trimmings</i>	34,643	42,253	38,466	111	91
<i>Other</i>	99,095	86,905	81,711	82	94
<i>Variety Meats</i>	37,231	34,306	36,770	99	107
<i>Unclassified</i>	46,348	49,730	48,414	104	97
Total	618,563	581,511	588,917	95	101
Frozen Beef					
<i>Boneless</i>	454,439	457,394	460,379	101	101
<i>Beef Cuts</i>	41,576	43,930	48,181	116	110
Total	496,015	501,324	508,560	103	101
Other					
<i>Veal</i>	13,669	14,178	13,736	100	97
<i>Lamb & Mutton</i>	31,415	39,386	40,466	129	103
Total	45,084	53,564	54,202	120	101
Total Red Meat	1,159,662	1,136,399	1,151,679	99	101
Chicken					
<i>Broilers, Fryers, Roasters</i>	22,269	20,407	21,007	94	103
<i>Breasts and Breast Meat</i>	170,582	173,958	176,717	104	102
<i>Leg Quarters</i>	128,744	97,914	105,082	82	107
<i>Wings</i>	66,850	97,441	104,903	157	108
<i>Other Chicken</i>	429,645	536,524	551,709	128	103
Total	818,090	926,244	959,418	117	104
Turkey					
<i>Whole Turkeys</i>	332,314	347,778	332,229	100	96
<i>Turkey Breast</i>	92,471	90,559	79,533	86	88
<i>Other</i>	145,178	167,983	154,858	107	92
Total	569,963	606,320	566,620	99	93
Ducks	3,682	3,974	3,563	97	90
Total Poultry	1,391,735	1,536,538	1,529,601	110	100

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