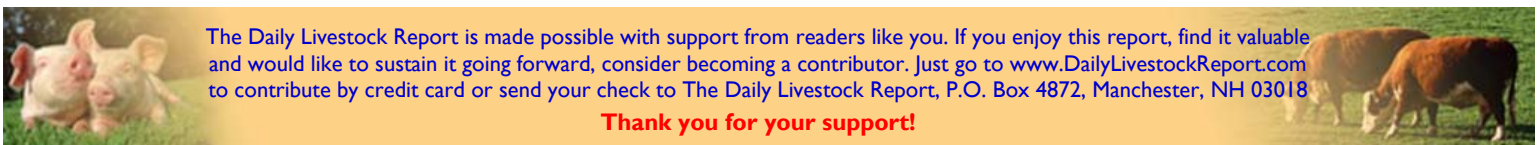
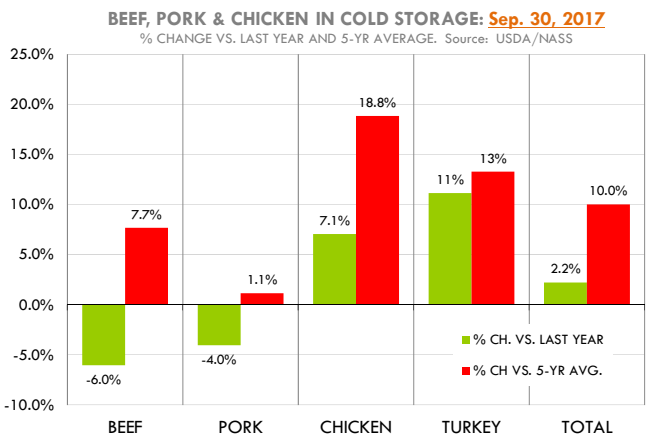
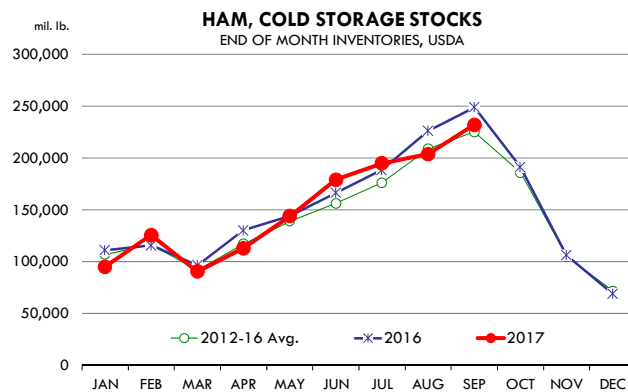
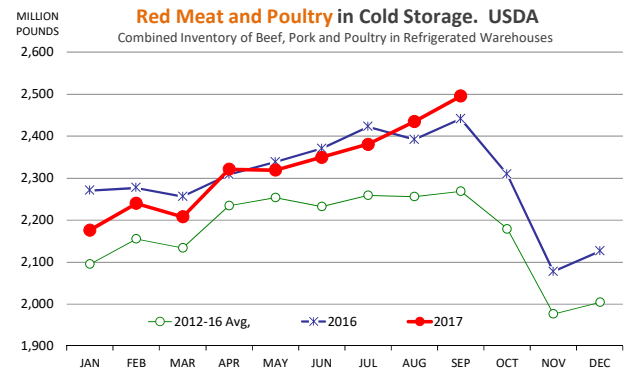


**The combined inventory of beef, pork and poultry in cold storage at the end of September was 2.496 billion pounds, 2.2% higher than the previous year and the largest amount of meat in cold storage since October 2002.** Red meat and poultry inventories have increased at a faster than normal pace in the last two months. September freezer stocks rose 2.5% from the previous month compared to an average 0.6% M/M increase in the last five years. But this is not necessarily a bearish indicator. The increase in production has bolstered US exports and this implies that more beef, pork and chicken needs to be accumulated in storage before it is loaded in containers for export. We continue to urge that the cold storage numbers need to be viewed in the broader context of expanding US trade. The large inventory in cold storage underscores the need for robust US meat protein demand, both from domestic and export sources, in Q4.

**Total beef inventories at the end of September were 487.8 million pounds, 6% less than a year ago.** Beef inventories in September rose 2.4% compared to the previous month. In the last five years September beef stocks have increased by an average of 5.1% from August levels. This is another indicator that beef demand remains in good shape, with product flowing into the marketplace rather than being diverted into cold storage.

**The seasonal increase in pork inventories during September outpaced that of recent years.** This may be viewed as bearish by futures when they open today but in our view some caveats are warranted. At the end of September there were 616.3 million pounds of pork in cold storage, a 7.1% increase from the previous month. In the last five years September stocks have increased by an average 3.6% from August levels. Last year the m/m inventory increase was 5.5%. But consider what drove the m/m increase in pork freezer stocks. Ham inventories increased 13.8% in September compared to an average 7.8% increase in the last five years. However, the increase followed a slower than normal inventory build during August. One way to read this is that end users that normally put away hams in August delayed this in anticipation of increasing September supplies and lower prices.

**When we look at the Jul - Sep ham inventory build, 2017 ham freezer stocks are up 19% compared to an average 28% build in the last five years.** Last year the ham build Jul/Sep was 32%. When viewed in this context, the increase in ham cold storage stocks may not be as bearish as it first appears. Normally ham inventories are depleted in Oct-Dec as end users prepare for year-end holidays. Export demand remains a key wild card considering the large supply in cold storage and record pork production in Q4. Pork belly inventories increased modestly in September when normally stocks decline. However, August pork belly stocks were minimal so there was not much stock that needed to be depleted. It will be critical for the pork market to see some bellies move into storage during Q4 in order to be better prepared for any Q1 retail features. Last year a combination of aggressive features and limited cold storage inventories caused pork belly prices to rise sharply in Q1. Chicken supplies remain burdensome. Disruptions from Hurricanes Harvey, Maria and Irma may have significantly impacted chicken trade in September and caused product to be backed up in storage. Underscoring this, leg quarter inventories jumped 14.5% for the month.



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# Daily Livestock Report

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## USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	30-Sep-16	31-Aug-17	30-Sep-17	Sep-16	Aug-17
	1,000 Pounds				
<b>Frozen Pork</b>					
<i>Picnics, Bone-In</i>	8,512	8,176	8,754	103	107
<i>Hams, Total</i>	248,972	203,887	231,965	93	114
<i>Bone-in</i>	130,795	91,736	99,315	76	108
<i>Boneless</i>	118,177	112,151	132,650	112	118
<i>Bellies</i>	25,084	19,213	20,914	83	109
<i>Loins, Total</i>	31,928	32,641	33,967	106	104
<i>Bone-in</i>	9,535	10,180	12,122	127	119
<i>Boneless</i>	22,393	22,461	21,845	98	97
<i>Ribs</i>	83,729	74,341	86,564	103	116
<i>Butts</i>	18,295	16,308	17,774	97	109
<i>Trimmings</i>	35,811	34,811	34,832	97	100
<i>Other</i>	86,941	99,330	98,682	114	99
<i>Variety Meats</i>	52,397	37,736	37,134	71	98
<i>Unclassified</i>	50,634	49,255	45,726	90	93
<b>Total</b>	<b>642,303</b>	<b>575,698</b>	<b>616,312</b>	<b>96</b>	<b>107</b>
<b>Frozen Beef</b>					
<i>Boneless</i>	477,690	438,094	446,238	93	102
<i>Beef Cuts</i>	41,332	38,473	41,574	101	108
<b>Total</b>	<b>519,022</b>	<b>476,567</b>	<b>487,812</b>	<b>94</b>	<b>102</b>
<b>Other</b>					
<i>Veal</i>	11,003	15,311	13,669	124	89
<i>Lamb &amp; Mutton</i>	32,736	32,383	31,414	96	97
<b>Total</b>	<b>43,739</b>	<b>47,694</b>	<b>45,083</b>	<b>103</b>	<b>95</b>
<b>Total Red Meat</b>	<b>1,205,064</b>	<b>1,099,959</b>	<b>1,149,207</b>	<b>95</b>	<b>104</b>
<b>Chicken</b>					
<i>Broilers, Fryers, Roasters</i>	22,290	22,154	23,016	103	104
<i>Breasts and Breast Meat</i>	149,732	169,854	169,594	113	100
<i>Leg Quarters</i>	133,031	114,455	131,206	99	115
<i>Wings</i>	90,373	63,417	66,919	74	106
<i>Other Chicken</i>	373,658	412,173	432,630	116	105
<b>Total</b>	<b>769,084</b>	<b>782,053</b>	<b>823,365</b>	<b>107</b>	<b>105</b>
<b>Turkey</b>					
<i>Whole Turkeys</i>	269,213	348,701	330,272	123	95
<i>Turkey Breast</i>	79,044	101,706	92,378	117	91
<i>Other</i>	162,942	149,606	145,597	89	97
<b>Total</b>	<b>511,199</b>	<b>600,013</b>	<b>568,247</b>	<b>111</b>	<b>95</b>
<i>Ducks</i>	8,631	3,868	3,641	42	94
<b>Total Poultry</b>	<b>1,288,914</b>	<b>1,385,934</b>	<b>1,395,253</b>	<b>108</b>	<b>101</b>

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