Daily Livestock Report

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USDA released the results of its latest surveys covering the number of cattle on feed in feedlots with +1000 **head capacity as well as the supply red meat and poultry in cold storage. We thought both reports can be construed as positive for the market, showing smaller than expected inventories of cattle on feed and a notable reduction in the supply of beef in cold storage**. Below are some of the highlights:

Cattle on feed: Feedlot operators placed 2.248 million head of cattle on feed in October, 6.1% less than a year ago and about 123k head less than the average of analyst expectations. There were solid arguments for expecting lower placements, the main one being the fact that feedlots placed a lot of cattle on feed in late summer, thus limiting the supply of feeder cattle available for placement in October. During July and August feedlot placements were up a combined 269k head compared to the previous year. In the last two months placements have declined 244k head vs. year ago. **The total supply of cattle on feed as of November 1 was estimated at 11.692 million head, 3.2% higher than a year ago but notably lower than pre-report analyst estimates**, which on average expected the inventory to be 4.3% above year ago levels. The inventory of cattle that have been on feed over 150 days is estimated at 2.085 million head, 18.5% higher than a year ago while the inventory of +120day cattle is estimated at 3.825 million head, 10.1% higher than last year. Feedlots placed 145k fewer cattle in October 2018 than in October 2017. Most of the decline came in the 600-800 lb. category, fed cattle that would normally come to market in February and March. The report was released during trading hours yesterday and both February and April contracts rose following its release.

October feedlot marketings at 1.887 million head were 4.8% higher than a year ago. Analysts on average were expecting marketings to increase by 4.2%. There was one extra marketing day in October, which accounts for much of the increase in marketings vs. last year. The marketing rate was predictably higher and at 16.6% it was about the same as both in 2016 and 2017. The ratio of marketings vs. the +90day supply was 33% compared to 34.1% last year and 34.3% five year average.

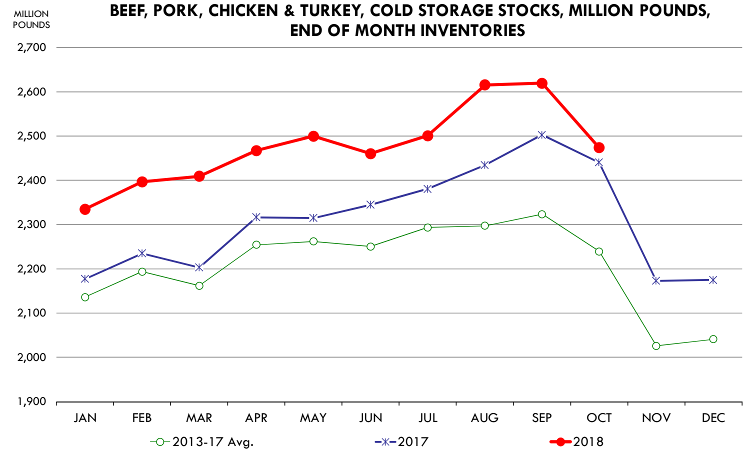
Cold Storage: The total inventory of beef, pork, chicken and turkey in cold storage at the end of October was 2.474 billion pounds, 1.4% higher than a year ago and 10.4% higher than the five year average. **Inventories declined 5.6% compared to the previous month compared to an average drawdown of about 3.6% in the last five years**. High prices for some products, especially beef and pork, appear to have encouraged users to draw down inventories rather than continue to pay inflated prices in the spot market. Meat protein supplies are expected to continue to expand and the drawdown in inventories should be supportive for prices in late 2018. The total inventory of boneless beef and bone-in beef cuts at the end of October was 515.4 million pounds, 1.6% higher than a year ago and now 8.7% higher than the five year average. Some end users have bolstered inventories in preparation for year-end demand. Inventories increased 1.6% in October vs. September compared to a 5-Yr average increase of 1.4%. Inventories of bone-in cuts declined 1.8% in October but still were 5.4% higher than a year ago and 15.6% higher than the five year average. **The total inventory of pork products in cold storage at the end of October was 570.6 million pounds, 3.2% lower than the previous month**. In the last five years the drawdown in pork inventories has been 4.5%. However, current pork inventories are 4.6% lower than a year ago and 1.6% lower than the five year average. Pork production has increased in the last few weeks but so far there has been good flow from the packing floor to the consumer. Lower inventories remain positive for Feb/Apr hog prices.

U.S. ALL CATTLE ON FEED: 1,000+ CAPACITY FEEDLOTS

Source: USDA/NASS. Analyst Estimates from Urner Barry

	Number, Thousand Head			Current Year as % of Year Prior		
	2016	2017	2018	Actual	Estimates	Difference
Placed on Feed During Oct	2,171	2,393	2,248	93.9	99.1	-5.2
Fed Cattle Marketed in Oct	1,705	1,801	1,887	104.8	104.2	0.6
On Feed November 1	10,665	11,332	11,692	103.2	104.3	-1.1

BEEF, PORK, CHICKEN & TURKEY, COLD STORAGE STOCKS, MILLION POUNDS, END OF MONTH INVENTORIES



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USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	31-Oct-17	30-Sep-18	31-Oct-18	Oct-17	Sep-18
		1,000 Pounds			
Frozen Pork					
Picnics, Bone-In	8,055	8,375	7,881	98	94
Hams, Total	195,327	214,628	176,107	90	82
Bone-in	79,733	93,281	76,379	96	82
Boneless	115,594	121,347	99,728	86	82
Bellies	32,268	30,353	26,682	83	88
Loins, Total	36,927	33,763	34,062	92	101
Bone-in	10,971	11,130	9,766	89	88
Boneless	25,956	22,633	24,296	94	107
Ribs	94,859	83,403	101,728	107	122
Butts	21,249	13,282	17,043	80	128
Trimmings	33,185	38,499	42,470	128	110
Other	94,458	81,592	79,060	84	97
Variety Meats	35,495	37,030	35,650	100	96
Unclassified	46,551	48,477	49,871	107	103
Total	**598,374**	**589,402**	**570,554**	**95**	**97**
Frozen Beef					
Boneless	462,093	458,904	467,976	101	102
Beef Cuts	44,948	48,262	47,393	105	98
Total	**507,041**	**507,166**	**515,369**	**102**	**102**
Other					
Veal	12,344	13,736	9,567	78	70
Lamb & Mutton	31,594	40,466	39,320	124	97
Total	**43,938**	**54,202**	**48,887**	**111**	**90**
Total Red Meat	**1,149,353**	**1,150,770**	**1,134,810**	**99**	**99**
Chicken					
Broilers, Fryers, Roasters	20,281	21,073	17,402	86	83
Breasts and Breast Meat	175,209	177,388	185,120	106	104
Leg Quarters	120,762	104,414	90,854	75	87
Wings	70,364	104,951	97,268	138	93
Other Chicken	487,592	550,185	552,282	113	100
Total	**874,208**	**958,011**	**942,926**	**108**	**98**
Turkey					
Whole Turkeys	257,565	330,726	251,470	98	76
Turkey Breast	71,492	79,241	66,351	93	84
Other	131,799	154,778	126,842	96	82
Total	**460,856**	**564,745**	**444,663**	**96**	**79**
Ducks	3,651	3,563	3,567	98	100
Total Poultry	**1,338,715**	**1,526,319**	**1,391,156**	**104**	**91**