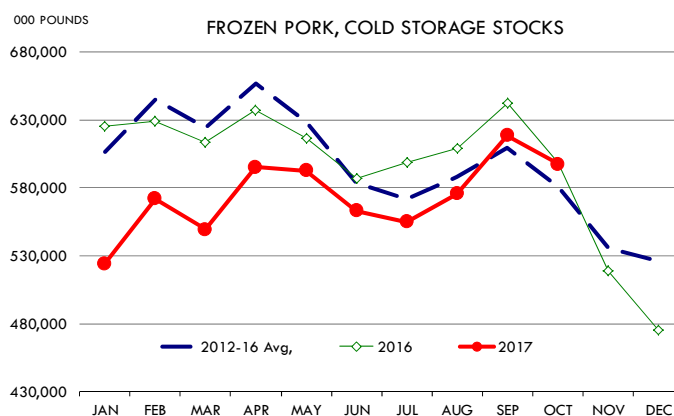
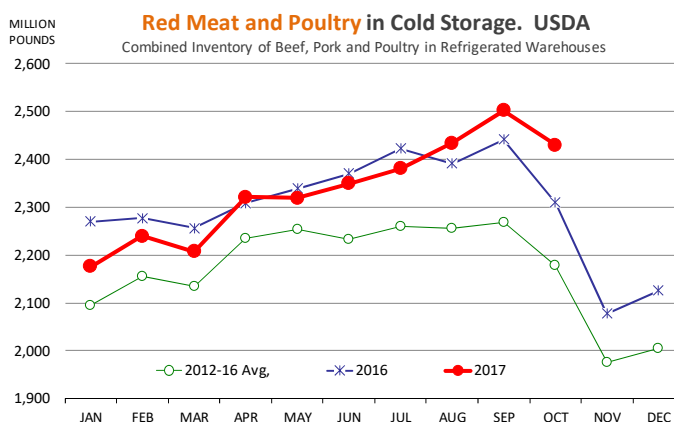


The combined inventory of beef, pork, chicken and turkey at the end of October was 2.430 billion pounds, 5.2% higher than a year ago and 11.5% higher than the five year average. Cold storage inventories have increased at a faster pace than normal in the last three months, in part because of an increase in the supply of chicken that is ending up in storage rather than going into domestic and export channels. Seasonally cold storage stocks peak in October and then some of that inventory is drawn down to fill holiday needs. It will be critical to see how that drawdown progresses this year in order to gauge pipeline supplies and price pressures (either up or down) in Q1.

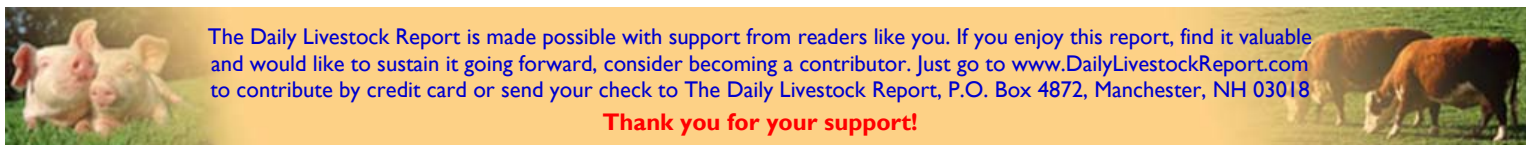
The inventory of boneless beef at the end of October was 462.3 million pounds, 6.5% less than a year ago but still as much as 12.2% higher than the five year average. Boneless beef stocks increased by 1.7% in October vs. September in line with the level of inventory build that we have seen in recent years. Last year boneless beef stocks rose sharply into year-end, pressuring prices late in Q4 and in early Q1. With more beef production and larger exports it is normal for beef stocks to be higher than the five year average. The reason we see this report as neutral has to do with the fact that the inventory build so far is not very different than the five year average.

The overall **inventory of pork products in cold storage at the end of October was 597.3 million pounds, 0.3% lower than last year and 2.8% higher than the five year average.** October pork inventories declined 3.4% from September levels, which compares to a 4.7% average drawdown for the last five years. The fact that cold storage numbers have for the most part followed the normal drawdown lead us to view the results of this report as neutral for prices in the short to medium term. Ham inventories normally peak at the end of September and then decline in Q4 to support seasonal demand during Thanksgiving and Christmas. Ham inventories at the end of October were 195.5 million pounds, 2.1% higher than a year ago and 5.2% higher than the five year average. The stock drawdown in October was 16% compared to an average 18% for the last five years. Pork belly inventories jumped 54% from September levels, an earlier than normal increase in stocks and a very different trajectory than a year ago. Low belly prices in October encouraged packers and processors to put more bellies in the freezer. Normally freezer stocks increase in November and December when slaughter peaks and demand is insufficient to clear the market. However, it appears that the combination of renewed retailer bacon features and the need to hedge Q1 needs has quickly caught up with the belly market. Pork belly prices which were trading in the mid-90s in early October now are priced as high as \$145. Boneless loin inventories rose 17% in October compared to an average 4% increase in the past five years. We view this as negative for loin prices in December and early January.



Total chicken inventories were 868.3 million pounds, 11.7% higher than a year ago and 20.4% higher than the five year average.

Normally chicken inventories increase in Q4 but the increase this year has outpaced the five year average. Turkey breast market has been well supplied for much of this year and this has kept breast meat prices in check. Due to the weak pricing more turkey breast was put in storage than in previous year, with the breast meat inventory at the end of May up as much as 33% from a year ago and 55% higher than the five year average. However, it appears that the burdensome turkey breast situation is quickly coming to an end. Inventories of turkey breast meat at the end of October were 71 million pounds, down 23.2% from the previous month. Current breast meat stocks are still up 5.9% from last year and 42% from the five year average. Aggressive production cutbacks and slowly improving demand should bolster turkey prices next year.



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Daily Livestock Report

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Vol. 15, No. 232 / November 24, 2017

USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	31-Oct-16	30-Sep-17	31-Oct-17	Oct-16	Sep-17
	1,000 Pounds				
Frozen Pork					
<i>Picnics, Bone-In</i>	11,294	8,746	8,055	71	92
<i>Hams, Total</i>	191,430	232,048	195,505	102	84
<i>Bone-in</i>	100,545	99,315	79,801	79	80
<i>Boneless</i>	90,885	132,733	115,704	127	87
<i>Bellies</i>	20,386	20,897	32,195	158	154
<i>Loins, Total</i>	36,219	34,291	36,945	102	108
<i>Bone-in</i>	11,357	12,129	10,975	97	90
<i>Boneless</i>	24,862	22,162	25,970	104	117
<i>Ribs</i>	98,916	88,031	93,606	95	106
<i>Butts</i>	19,351	17,258	21,384	111	124
<i>Trimmings</i>	31,773	34,642	33,207	105	96
<i>Other</i>	88,655	99,100	94,468	107	95
<i>Variety Meats</i>	47,843	37,231	34,653	72	93
<i>Unclassified</i>	53,143	46,348	47,277	89	102
Total	599,010	618,592	597,295	100	97
Frozen Beef					
<i>Boneless</i>	494,530	454,451	462,257	93	102
<i>Beef Cuts</i>	38,538	41,576	44,674	116	107
Total	533,068	496,027	506,931	95	102
Other					
<i>Veal</i>	11,770	13,669	12,432	106	91
<i>Lamb & Mutton</i>	29,439	31,415	30,402	103	97
Total	41,209	45,084	42,834	104	95
Total Red Meat	1,173,287	1,159,703	1,147,060	98	99
Chicken					
<i>Broilers, Fryers, Roasters</i>	17,426	22,269	20,365	117	91
<i>Breasts and Breast Meat</i>	157,418	170,583	172,126	109	101
<i>Leg Quarters</i>	142,078	128,744	118,535	83	92
<i>Wings</i>	87,433	66,836	70,001	80	105
<i>Other Chicken</i>	373,241	429,643	487,281	131	113
Total	777,596	818,075	868,308	112	106
Turkey					
<i>Whole Turkeys</i>	198,747	332,314	256,826	129	77
<i>Turkey Breast</i>	67,045	92,471	71,021	106	77
<i>Other</i>	134,563	145,178	129,670	96	89
Total	400,355	569,963	457,517	114	80
<i>Ducks</i>	5,893	3,682	3,651	62	99
Total Poultry	1,183,844	1,391,720	1,329,476	112	96

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