

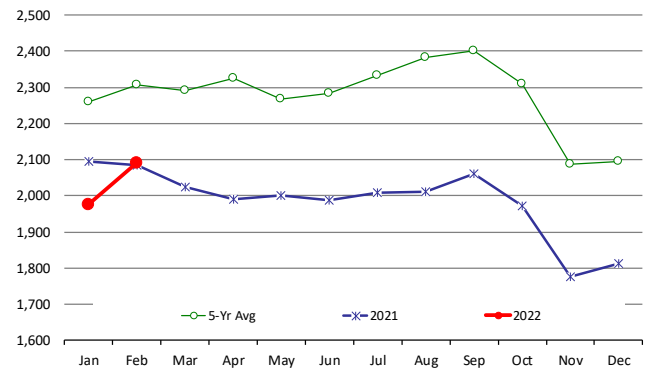
The latest USDA survey of cold storage operations put the total supply of beef, pork, chicken and turkey at the end of February at 2.091 billion pounds, slightly higher than a year ago but still 9.4% lower than a year ago. **Inventories increased by almost 6% from the previous month a faster pace than what we normally see (+2%) during this time of year.** While this might be construed as somewhat bearish, one needs to recognize what's driving the build. We do not see it as a sign of slowing demand, rather it appears to be pulling some demand forward. End users are very concerned about inflation and supply availability this spring and summer. As a result they may be using freezer hedges to manage prices during higher demand periods. If supply in Q2 falls below expectations then these freezer hedges will work as intended. However, if supply ends up being higher than expected and demand falters, the higher inventory could weigh on prices. Calling the data as bullish or bearish is not especially useful, rather it is better to view the freezer inventory in the context of overall supply as it unfolds.

The total supply of beef in cold storage at the end of February was estimated at 532.5 million pounds, 3.9% higher than a year ago and 9% higher than the five year average. This was the highest end of February beef inventory on record, driven in large part by more beef cuts in cold storage. The inventory of beef cuts at the end of February was estimated at 47.8 million pounds, 30.3% higher than the previous year and 32.4% higher than the five year average. But since the supply of this category is small relative to overall demand, we do not see this increase as having a material impact. Boneless beef inventory at 484.7 million pounds was only 1.9% higher than a year ago. Boneless beef inventories increased just 0.2% from the previous month despite sharply higher beef imports and double digit increase in beef cow slaughter. The biggest increase in beef inventory was in the West South Central, which would suggest this is not due to product being staged for export or due to higher imports (while some imported beef does come through the Gulf states, most arrives either in the East or West Coast.)

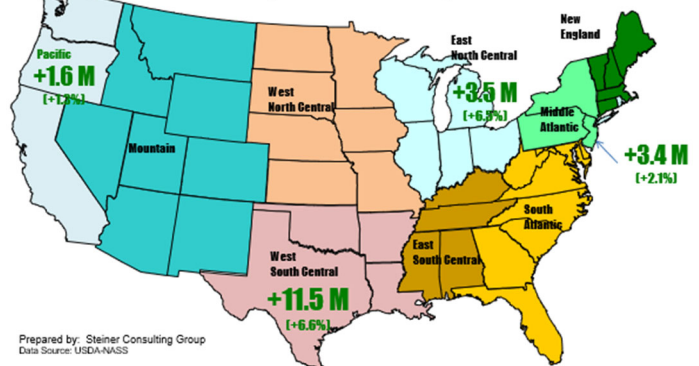
Pork supplies in the freezer remain light from a historical perspective but they showed robust gains in February. This is important when discussing demand last month. Pork prices were very firm in February, in part due to lower slaughter numbers but also because market participants were looking to bolster their freezer inventory anticipating tighter supplies in the spring and summer. The inventory of bellies in the freezer at the end of last month was 50.1 million pounds, 33.5% higher than a year ago and 8.6% higher than the five year average. Chicken inventory numbers showed some improvement in February, largely due to more dark meat and wings accumulating in the freezer. Turkey breast inventory remains limited, down 46% from last year and 61% lower than the five year average.

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

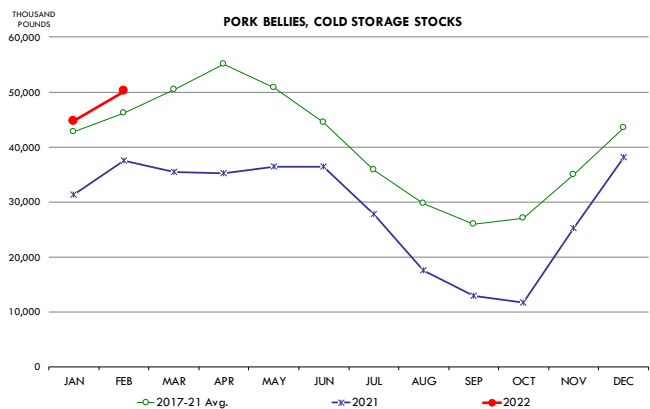
Million Pounds. Source: USDA-NASS



Change in Boneless Beef Cold Storage Inventories by Region February 2022 vs. February 2021



Prepared by: Steiner Consulting Group
Data Source: USDA-NASS



The Daily Livestock Report is made possible with support from readers like you. If you enjoy this report, find it valuable and would like to sustain it going forward, consider becoming a contributor. Just go to www.DailyLivestockReport.com to contribute by credit card or send your check to The Daily Livestock Report, P.O. Box 4872, Manchester, NH 03018

Thank you for your support!

The Daily Livestock Report is published by Steiner Consulting Group, DLR Division, Inc.. To subscribe, support or unsubscribe please visit www.dailylivestockreport.com.

The Daily Livestock Report is not owned, controlled, endorsed or sold by CME Group Inc. or its affiliates and CME Group Inc. and its affiliates disclaim any and all responsibility for the information contained herein. CME Group®, CME™ and the Globe logo are trademarks of Chicago Mercantile Exchange, Inc.

Disclaimer: The Daily Livestock Report is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.