

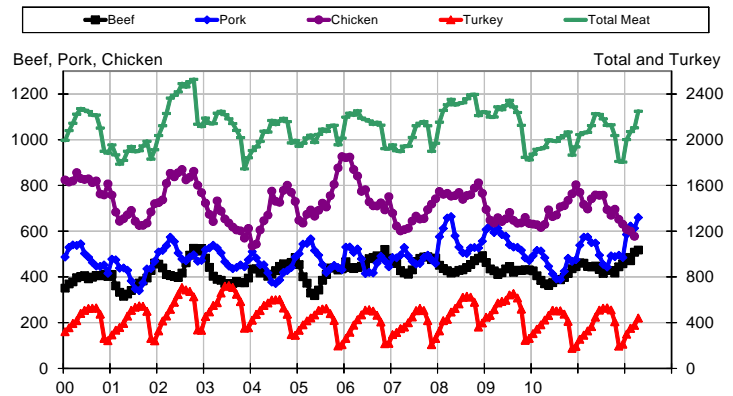
USDA'S monthly Cold Storage report was released today and it contained little good news for the meat and poultry businesses and was particularly ugly for the pork sector.

The chart at right shows inventory levels for the four major meat species as well as the total. The table on page 2 contains all of USDA's data regarding the amounts of the various cuts in U.S. freezers on April 30. Some important features of the report are:

- Total frozen meat and poultry inventories stood at 2.249 million pounds on April 30. That is 5.9% larger than last year and 7.5% larger than on March 31. It is also the largest stock of frozen meat and poultry at the end of any month since August 2009. YTD meat and poultry production is DOWN 2.3%.
- The total inventory of pork, at 659.532 million pounds is the second largest on record. It falls just short of the 663.443 million pounds that was in freezers at the end of April 2008. This year's April 30 inventory is 20.1% higher than last year and 8.1% higher than last month.
- Hams are the largest contributor to the grown in frozen pork stocks, coming in 46% higher than last year and 40.6% higher than last month. There are 35.6 million more pounds of hams in U.S. freezers than one year ago — and 32.5 million more than last month! Hams have been a challenge all winter and spring after the holidays passed with significant volume still on hand. It doesn't appear that we are very near working through the backlog yet.
- Bellies were the second big contributor to freezer stock growth, coming in 40.6% higher than last year and 13.2% higher than last month. That 40.6% means that there are 21.6 million more pounds of bellies available this year.
- Based on weekly data, April 30 pork stocks amounted to roughly 36% of April pork production. That is the highest percentage of monthly production in month-end cold storage since April 2000.
- Chicken inventories grew by 5.6% in April but remained 18.2% lower than one year ago. April stocks are the second lowest (to March) since March 2007. Wing inventories are barely half of their April 2011 level but did increase by 10.3% last month — maybe those prices are getting a bit too high to keep them moving? Stocks of breasts and breast meat fell to 119.97 million pounds, 18% lower than last year and 2.7% lower than last month. This is the lowest level of breast meat in freezers since November 2010. The only hiccup for chicken was a buildup of leg products in April with drumstick, leg, leg quarter and thigh/thigh quarter stocks growing by 19.5 million pounds or 18.7%.
- Total beef stocks, at 517.5 million pounds, were 16.8% larger than last year and 2.9% larger than last month. Those percentage increases were, to a great degree, equally shared between boneless beef and beef cuts. The April 30 total was the largest since November 2006 and marks only the 6th time that month-

MEAT IN COLD STORAGE

Million Lbs., Product Weight



end beef inventories have exceeded 500 million pounds. It should be noted that monthly beef output in April 2011, based on weekly data, will be about 2 billion pounds. It was 2.2 billion in November 2006 and in the range of 2.2 to 2.5 billion pounds in the fall of 2002 when beef stocks were also over 500 million. This year's stocks represent a larger share of production than did similar levels in the past.

- Finally, turkey inventories are sharply higher this year. April's 438.5 million pounds was 20.3% larger than last year and 16.9% larger than last month. As can be seen in the chart above, monthly gains in turkey stocks through June or July are the absolute norm as producers and end-users build the inventories necessary to handle holiday sales. This year is no different except that the pace of the buildup is considerably faster than the past two years. While whole birds, as expected, counted for the largest volume of April's increase, every other cut category except mechanically de-boned turkey saw larger percentage increase relative to last year.

So what does this mean? The data suggest that meat and poultry movement in April was nothing to shout about. That's especially true of pork. That slow spring movement has left enough product in freezers to perhaps blunt any cash rallies that could start when hog numbers finally decline this summer — In history we trust!

When we look at year-on-year changes, we have to be a bit concerned about beef, whose stocks have increased even though production has moved lower. If exports remained below 2011 levels in April, these mean beef movement was indeed slow.

Maybe it is time to move away from record-high and near record-high retail prices long enough to clean up some of these inventories. Grilling season is here and some aggressive features could attract a lot of retail traffic and move a lot of product.

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USDA Cold Storage Report May 22, 2012

	Quantity (Thousand Pounds)			Current as pct. of:	
	4/30/11	3/30/12	4/30/12	4/30/11	3/30/12
Chicken	----- Thous. Lbs. -----				
Whole Chickens	21156	16,642	15,129	71.5	90.9
Hens, Mature Chickens	3816	1,786	2,455	64.3	137.5
Breasts & Breast Meat	146002	123,259	119,968	82.2	97.3
Drumsticks	23319	13,451	14,245	61.1	105.9
Leg Quarters	123185	72,400	88,994	72.2	122.9
Legs	15651	9,476	12,576	80.4	132.7
Thigh & Thigh Quarters	8470	9,025	8,064	95.2	89.4
Thigh Meat	16165	18,790	16,115	99.7	85.8
Wings	69045	33,183	36,602	53.0	110.3
Paws and Feet	33752	25,950	27,613	81.8	106.4
Other	281007	250,493	264,822	94.2	105.7
Total Chicken	741,568	574,455	606,583	81.8	105.6
Turkey					
Whole Turkeys	181,231	158,286	206,584	114.0	130.5
Toms (Whole)	83,458	71,457	96,586	115.7	135.2
Hens (Whole)	97,773	86,829	109,998	112.5	126.7
Breasts	61,671	64,523	73,597	119.3	114.1
Legs	12,038	21,419	19,511	162.1	91.1
Mech. Deboned Turkey	8,661	11,383	9,178	106.0	80.6
Other Turkey	26,436	31,789	32,683	123.6	102.8
Unclassified	74,466	87,868	96,954	130.2	110.3
Total Turkey	364,503	375,268	438,507	120.3	116.9
Ducks	6,885	2,546	3,271	47.5	128.5
Total Poultry	1,112,956	952,269	1,048,361	94.2	110.1
Frozen Pork	----- Thous. Lbs. -----				
Picnics, Bone-in	9,458	9,311	10,389	109.8	111.6
Hams, Total	76,988	80,087	112,563	146.2	140.6
Bone-in	35,230	36,010	52,156	148.0	144.8
Boneless 3/	41,758	44,077	60,407	144.7	137.0
Bellies	53,185	66,031	74,780	140.6	113.2
Loins, Total	35,121	43,782	44,710	127.3	102.1
Bone-in	12,153	15,525	13,996	115.2	90.2
Boneless 4/	22,968	28,257	30,714	133.7	108.7
Ribs 5/	97,143	101,893	109,712	112.9	107.7
Butts	26,884	31,532	31,637	117.7	100.3
Trimblings 6/	54,933	68,147	61,155	111.3	89.7
Other 7/	93,967	96,777	100,608	107.1	104.0
Variety Meats 8/	32,091	35,099	33,924	105.7	96.7
Unclassified 9/	69,509	77,659	80,054	115.2	103.1
Total Pork	549,279	610,318	659,532	120.1	108.1
Frozen Beef					
Boneless 1/	383,193	434,560	446,062	116.4	102.6
Beef Cuts 2/	59,958	68,610	71,466	119.2	104.2
Total Beef	443,151	503,170	517,528	116.8	102.9
Other Meat					
Veal	3,836	4,500	3,820	99.6	84.9
Lamb & Mutton	13,279	21,846	19,432	146.3	88.9
Total Other Meat	17,115	26,346	23,252	135.9	88.3
Total Meat	1,009,545	1,139,834	1,200,312	118.9	105.3
Total Meat & Poultry	2,122,501	2,092,103	2,248,673	105.9	107.5

1/ Includes all boxed boneless beef, such as ground beef, roasts, steaks, loins, strips, rounds, trimmings, etc. Variety meats (edible offal), such as tongues, livers, hearts, kidneys and other organs removed from slaughtered beef are included as miscellaneous freezer stocks. 2/ Includes all boxed primal beef cuts, bone-in. 3/ Includes full ham, bone removed and individual muscles separated. 4/Includes pork tenderloins 5/ Includes spareribs and backribs 6/ Includes 42% regular trimmings, boneless picnic meat, jowls, neckbone trimmings, blade, cheek, head and shank meat, etc. Packaged bacon sausage, and processed items such as hot dogs and luncheon meats are included in miscellaneous cooler or freezer stocks. 7/ Includes ers, tails, feet, neckbones and snouts. 8/ Includes tongues, kidneys, livers, stomachs, hearts, chitterlings, salivary glands and other organs. 9/ Includes product unable to be classified elsewhere in this report.