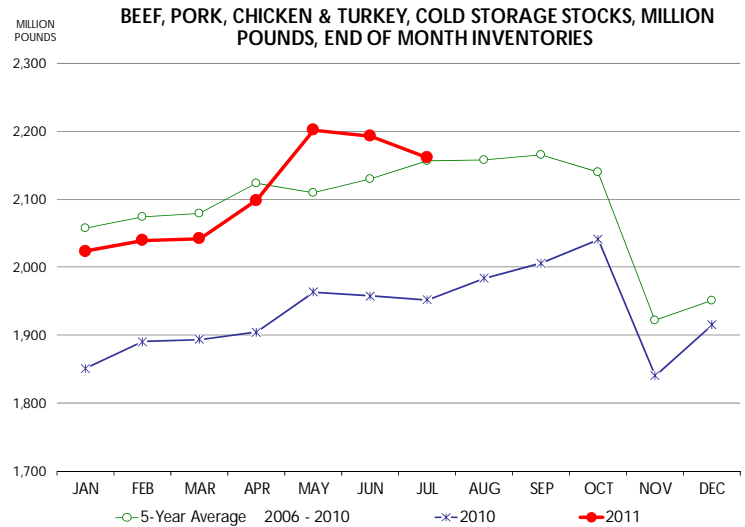


Market Comments

USDA released on Monday, August 22 the results of its monthly survey of refrigerated warehouses. On the face of it, the report shows larger supplies of beef, pork and poultry in cold storage compared to a year ago and some of the press coverage appeared to have a bearish view of this report. We have a somewhat different take, particularly with regard to beef and pork (at least for some items). Even the broiler situation, while still difficult, is showing some improvement. Below are is a brief recap of the main product groups:

- Total **beef inventories at the end of July** were pegged at 418.1 million pounds, 3.4% lower than the previous month but still some 7.5% higher than year ago levels. Boneless beef stocks were 361.7 million pounds, 3.6% lower than the previous month but 12.7% higher than a year ago. Boneless beef stocks have declined for the second consecutive month and are currently 4.9% lower than the five year average. The pace of boneless beef inventory drawdown has been quite rapid in the last two months, partly due to limited availability of imported beef. Demand, particularly for ground beef, has been better than expected and some market participants likely misjudged the market going into Labor Day, as evidenced by the spike in the price of fat beef trim (high pork trim prices also had an effect). In all, a positive report for beef stocks in the freezer.

- Inventories of pork products at the end of July were reported at 453.9 million pounds, 16% higher than a year ago but 1.8% lower than the five year average. **We also view the pork number as moderately positive despite larger stocks compared to a year ago.** Pork inventories in July declined 8.3% compared to the previous month, more than double the drawdown pace the month of July. Ham stocks at the end of July were 134.7 million pounds, 9.5% higher than a year ago and 8.3% higher than the five year average. Inventory build for the month was a bit slower than in previous years. Larger than normal stocks should buffer some of the expected higher prices into September and October. Belly inventories seasonally decline into September and this year is no different. Belly stocks at the end of July were down 40% from the previous month compared to a normal drawdown pace of about 30%. Current



inventories are about 38% higher than a year ago but remain some 27% lower than the five year average. Inventories of pork loins at the end of July were 21.6 million pounds, 24% higher than a year ago. The pace of pork loin drawdown in July was in line with previous years. Pork trim supplies in the freezer at the end of July were 37.0 million pounds, 24.6% higher than a year ago but 1% lower than the five year average. As with other pork items, pork trim inventories declined 13% compared to the previous month and were generally in line with the pace of drawdown for this time of year. Trim inventories are not burdensome at this time and strong exports will likely continue to pressure prices in the short term.

- Broiler inventories remain burdensome. Inventories of breast meat at the end of July were 145.4 million pounds, 47% higher than a year ago and 29.2% higher than the five year average. Breast meat inventories in July dropped 7.1% from the previous month, compared to an average 3.5% drawdown pace for this time of year. Inventories of leg quarters continue to be burdensome, up 9.7% compared to the previous year and 53.5% higher than the five year average. Total broiler meat stocks at 764.4 million pounds are 14.1% higher than a year ago and 13.3% higher than the five year average.

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Daily Livestock Report

Published daily by Steve Meyer and Steiner Consulting Group

Vol. 9, No. 160 / August 23, 2011

USDA STOCKS IN COLD STORAGE REPORT

COMMODITY	Stocks in All Warehouses			Percent Of	
	30-Jul-10	30-Jun-11	30-Jul-11	Jul-10	Jun-11
1,000 Pounds					
Frozen Pork					
<i>Picnics, Bone-In</i>	6,623	12,403	9,708	147	78
<i>Hams, Total</i>	122,987	125,265	134,678	110	108
<i>Bone-in</i>	64,003	66,422	72,938	114	110
<i>Boneless</i>	58,984	58,843	61,740	105	105
<i>Bellies</i>	21,380	48,645	29,534	138	61
<i>Loins, Total</i>	17,460	27,496	21,639	124	79
<i>Bone-in</i>	4,855	7,285	5,689	117	78
<i>Boneless</i>	12,605	20,211	15,950	127	79
<i>Ribs</i>	39,452	43,646	41,139	104	94
<i>Butts</i>	6,295	20,247	15,510	246	77
<i>Trimmings</i>	29,663	42,501	36,970	125	87
<i>Other</i>	77,285	93,116	89,308	116	96
<i>Variety Meats</i>	27,738	27,519	28,664	103	104
<i>Unclassified</i>	42,310	54,226	46,706	110	86
Total	391,193	495,064	453,856	116	92
Frozen Beef					
<i>Boneless</i>	320,843	375,317	361,705	113	96
<i>Beef Cuts</i>	67,961	57,446	56,355	83	98
Total	388,804	432,763	418,060	108	97
Other					
<i>Veal</i>	6,530	3,452	3,906	60	113
<i>Lamb & Mutton</i>	22,059	18,097	20,951	95	116
Total	28,589	21,549	24,857	87	115
Total Red Meat	808,586	949,376	896,773	111	94
Chicken					
<i>Broilers (Whole)</i>	23,374	25,762	22,041	94	86
<i>Breasts and Breast Meat</i>	98,853	156,427	145,359	147	93
<i>Leg Quarters</i>	114,951	124,330	126,074	110	101
<i>Wings</i>	41,353	69,410	71,935	174	104
<i>Other Chicken</i>	391,553	380,620	399,011	102	105
Total	670,084	756,549	764,420	114	101
Turkey					
<i>Whole Turkeys</i>	290,376	272,156	287,624	99	106
<i>Turkey Breast</i>	70,326	70,951	69,737	99	98
<i>Other</i>	140,809	165,550	167,557	119	101
Total	501,511	508,657	524,918	105	103
<i>Ducks</i>	5,055	5,619	6,091	120	108
Total Poultry	1,176,650	1,270,825	1,295,429	110	102

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