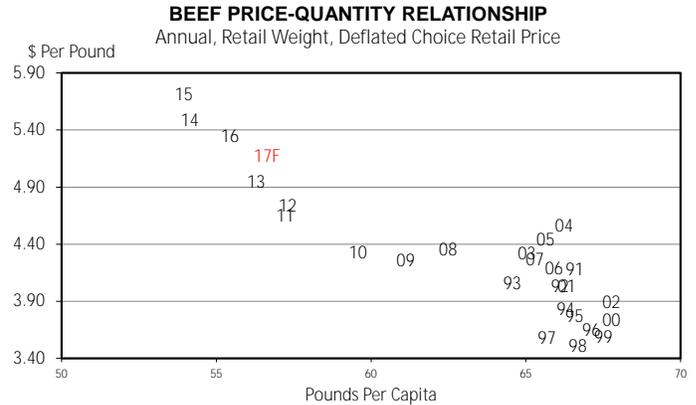


Consumer demand for beef held up well in 2017, considering slow growth in the economy, intensifying competition from more supplies of competing meats and the developments in consumer tastes and preferences for new food products or dietary diversity. Through the first eleven months of 2017, the retail price of choice beef declined by 1% from a year earlier, according to USDA-ERS (Economic Research Service). With general price inflation in the economy running at 2%, this translates into a 3% decline in prices in inflation adjusted terms. Supplies of beef available to the U.S. consumer in 2017 are projected to be up to 56.8 pounds per person from 54.3 pounds on a retail weight adjusted basis, with only December production and import-export data for November and December yet to be officially released. The graph at right shows how the price-quantity data for 2017 compares to the last 27 years.

The stoic performance of beef demand comes as retail sales in the food sector grew at the slowest pace since The Great Recession of 2008-2009. Grocery store sales in November were up 3.4% from a year earlier, but for the year will probably be no better than up 1.5% because of anemic growth in the first two months of the year and in June and July. The story for food services and drinking place retail sales growth trends is even more alarming. November sales growth for this sector was only up 2.5% from a year earlier, following 1.5% growth in October. For 2017, food services and drinking place sales growth is on a path to be up only 2.3% from last year, which compares with an 8% gain in 2015 and a 6% increase in 2016.

Total retail trade and food service sales across the entire economy were up 6.4% from a year earlier in November, the best year-over-year gain for any month in 2017. That is not a statement that could be made for food sector retail sales. Consumer spending has been rock-solid during the past year relative to the forces that are



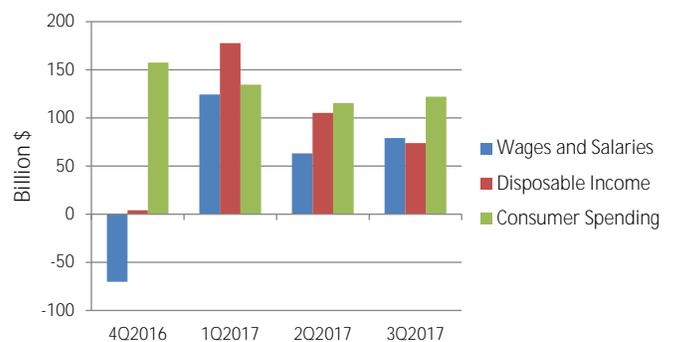
Data Source: Bureau of Economic Analysis & USDA-ERS. Compiled by LMIC Livestock Marketing Information Center

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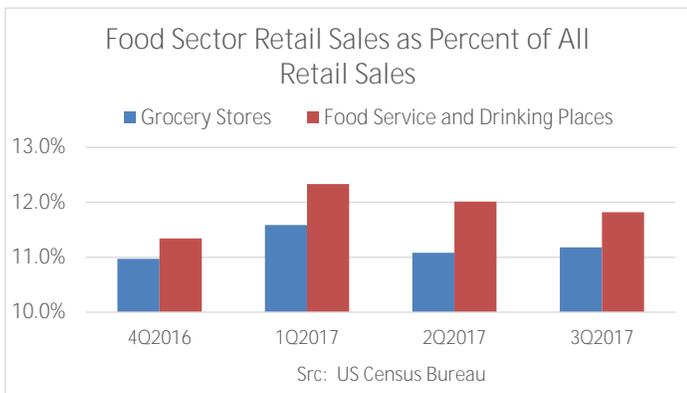
usually assumed to drive consumer behavior. Growth in wages and salaries, as well as disposable income was anemic in late 2016 but has gotten back on a positive track in 2017. This provides some encouragement for continued gains in consumer spending in the coming year, which could translate into favorable trends in retail sales. Food sector sales as a percent of total retail trade have been declining throughout this year, with the downtrend accelerating during the last quarter of the year. In light of this trend, the performance of beef demand was impressive.

Changes in US Consumer Situation

Quarter-to-Quarter Change, Annual Adjusted Rate



Source: Department of Commerce, Bureau of Economic Analysis



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