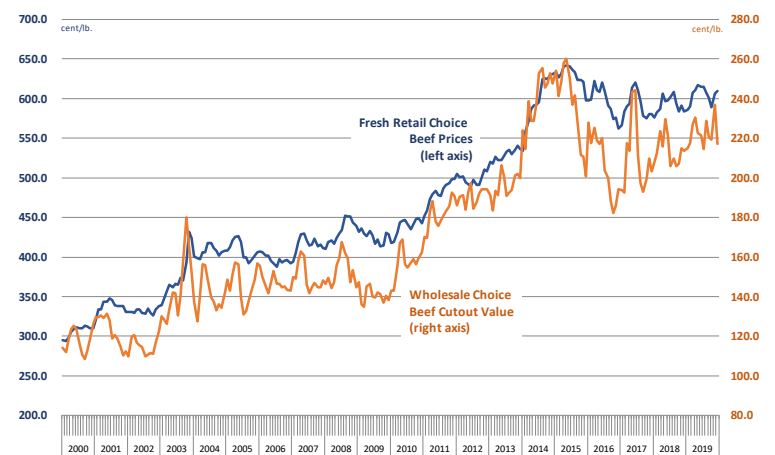


Beef retail prices accelerated in the last two months of 2019. The average December retail beef price was pegged at \$6.09/lb., 0.4% higher than the previous month and 4.4% higher than a year ago. **This was the highest December retail beef price since December 2014.** Higher wholesale beef prices in November, especially the big jump in the value of end cuts, likely caused retailers to mark up beef items in the meat case. The average price of the various steak cuts sold at retail in December was \$7.709/lb., 1.7% higher than a year ago. On the other hand, **the average price of chuck roasts was up 10.2% y/y, chuck ground beef was up 9.6%, beef round roasts were up 5.8% and overall ground beef prices increased 3.7% from a year ago.** While there is a lot of talk in the market about the potential demand from export markets for all US protein, higher retail prices will likely make beef less competitive vs. other proteins. Longer term protein demand is a function of two key factors: the economy (jobs and disposable income) and consumer preferences. Those two factors are in excellent shape. The unemployment rate is currently at the lowest level it has been in decades and disposable incomes continue to grow. Just as important is the shift in consumer preferences. Yes plant based diets and products are getting a lot of press but the big story out there is the shift in consumer preferences away from carbs and low fats to diets that are high protein and high fat. The most popular diet of 2019 was the Keto diet. But while longer term beef demand, and demand for proteins overall, remains in excellent shape, in the short term we could see some variability driven by the relative competitiveness of products and how retailers decide to structure features and the meat case from one promo window to the next. It appears that high prices in December and ample supplies of low priced pork and chicken have created some short term headwinds for end cuts at retail, with features of chucks, rounds and some ground beef items down substantially from a year ago.

The average pork retail price in December was \$3.81/lb., 1.3% lower than a year ago but still 1.9% higher than a year ago. While wholesale pork prices have been especially volatile the last two years, retailers have managed to hold overall prices relatively stable. In part this is because retail margins for pork remain quite strong relative to other proteins. The average value of the pork cutout in November was up 19% from the extremely depressed levels of a year ago and the December pork cutout at \$79/cwt was up 11% from a year ago. But again, it is important to look not just at the performance of specific months but rather than overall trend in prices at retail and wholesale, hence the two charts to the right. The average price of pork chops (boneless and bone-in) was \$3.39/lb., 0.8% higher than a year ago but 10% lower than what it was back in December 2015. The average price of ground beef at retail in December at \$3.86/lb. was 6% lower than in 2015. But even as prices for ground beef and pork loins at retail are lower than last year, the deflation for these two items is far smaller than

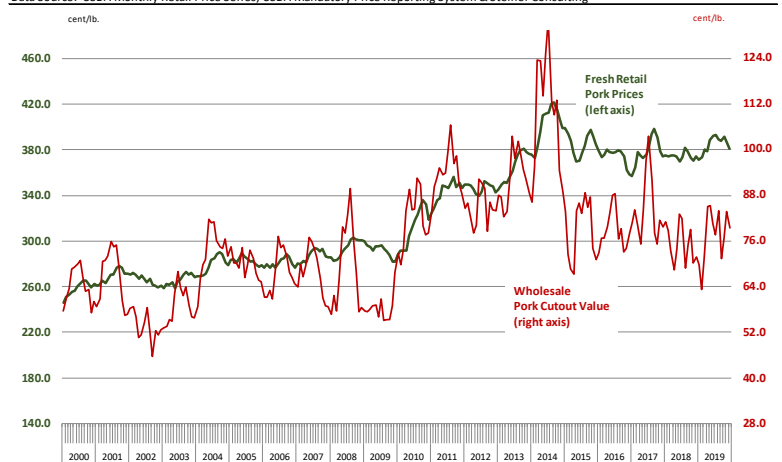
## Retail Choice Beef Prices vs. Wholesale Choice Beef Cutout

Data Source: USDA Monthly Retail Price Series, USDA Mandatory Price Reporting System & Steiner Consulting

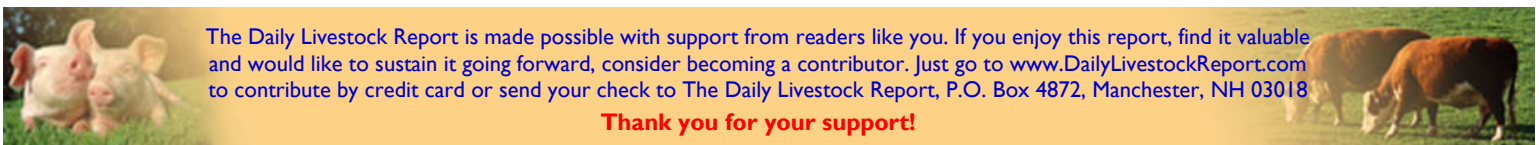


## Retail Pork Prices vs. Wholesale Pork Cutout

Data Source: USDA Monthly Retail Price Series, USDA Mandatory Price Reporting System & Steiner Consulting



the shrinking balloon that are boneless/skinless breasts. In 2015, the average price of b/s chicken breasts were \$3.35/lb., lower than the average price of ground beef and pork loins but still in the \$3 area. Last month (December 2019), the average retail price of boneless/skinless chicken breasts was \$1.39/lb., 58.5% lower than in December 2015. In contrast, the price of bone-in chicken leg meat in December averaged \$3.11/lb, almost double the retail price in December 2015. Retail meat price inflation has been relatively stable in the last three years but there have been significant shifts for specific products, reflecting the changes in consumer preferences that have taken place over time.



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