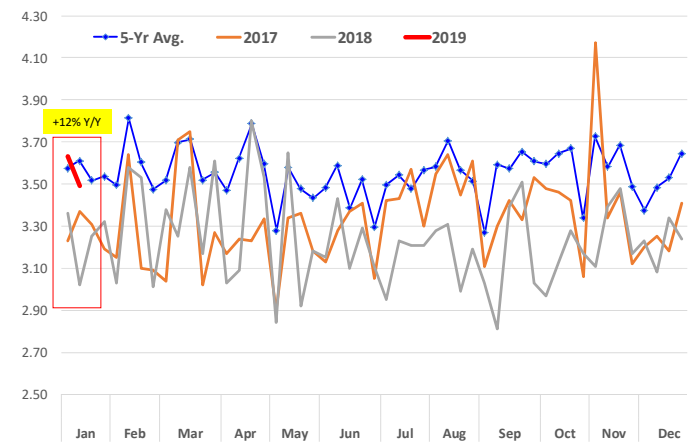
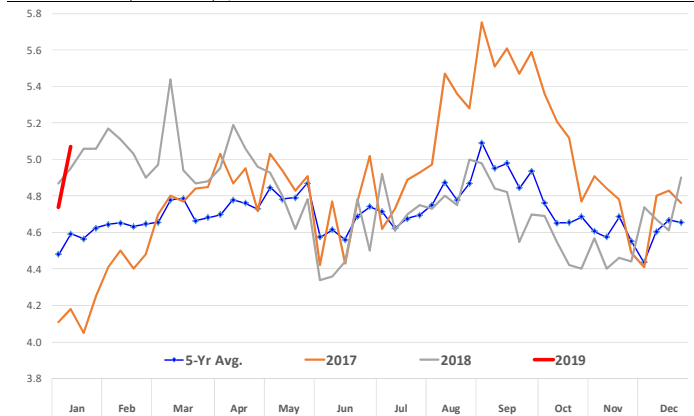


Weekly Reported Retail Feature Prices, USDA National Retail Report: GROUND BEEF 80-89%
Source: USDA Weekly National Retail Report. Latest data point is for Jan 11, 2019



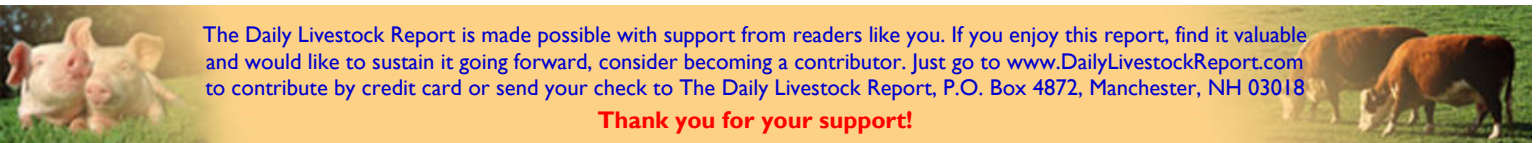
NATIONAL RETAIL PORK FEATURES REPORT: SLICED BACON, 1 LB PKG PRICE. USD/LB.
Source: USDA. Latest data point is for January 11, 2019



The USDA Economic Research Service (ERS) has not been able to publish the latest retail prices for beef, pork and poultry due to the ongoing shutdown. But we can glean some information about beef and pork price inflation based on consumer price indexes published by the US Bureau of Labor Statistics. Below is **a brief recap of the latest CPI data as well as some insights on the start of 2019 based on the AMS retail feature survey:**

Beef: The seasonally adjusted **consumer price index (CPI) for beef and veal in the US in December was 302.89, 0.6% lower than a year ago.** For all of 2018, the average CPI for beef and veal averaged 302.58, 1.4% higher than the previous year. Retail beef prices were higher in 2018 despite an increase in US beef production suggesting good beef demand. According to the December USDA estimate, **total US beef production last year was 752 million pounds or 2.9% higher than the previous year.** But just because beef production went up does not necessarily mean that the average US consumer purchased and ultimately consumed more beef. US beef exports were up 330 million pounds or 11.5% compared to the previous year while imports were marginally higher. In addition one needs to consider that population growth means more meals are consumed each year than the year prior. So as the last USDA WASDE report noted, per capita beef consumption in 2018 was up just 0.2 pounds per person or 0.4% despite the 2.9% increase in beef production. Still, higher retail beef prices even with this modest increase in per capita supplies suggest robust beef demand. Indeed, talk of this excellent demand keeps percolating in the market and futures certainly reflect that. What should not be lost, however, is the fact **that exports were a big part of the story in 2018 and will be once again critical for the market in the new year.** The risk sometimes is that participants overestimate demand, pushing up prices to levels that ration out supplies even production continues to expand. Consider the chart to the right. It shows the average feature price of 80-89% ground beef as reported by USDA-AMS in their weekly survey results. In the first two weeks of the year, feature prices for this category of ground beef were up 12% compared to a year ago. **Could this be the reason why the quantity of ground beef demanded early in the year has not been as strong as some expected?** The price of 50CL beef trim, a product mixed with lean product to make various meat blocks, has been stuck in the low 60s, about 10-15 cents less than one would expect based on cattle values. So while competition from other proteins may also be the issue, it appears that **retailers are looking to capitalize on beef demand, real or imagined, to boost their margins.** The round primal value has been lower so far this year. And yet, about 86% of the round beef features tracked in the first two weeks of 2019 had higher prices than the year before. In the case of beef chucks, retail prices were higher for 84% of features, with the average price up 5% compared to the previous year.

Pork: The consumer price index for pork in December was 209.93, 1.4% lower than a year ago. However, **for all of 2018 the average CPI for pork was 210.22, just 0.4% higher than a year ago.** For all the extremes and volatility in the wholesale pork and hog market, retail pork prices last year changed very little from the year prior. The pork cutout has been lower to start the year but retail prices not so much. Bacon prices are higher and far surpassing 2017 and five year average levels. And loin features during the first two weeks are down 17% compared to the previous year. Loin feature prices are largely lower than a year ago. Of all the features tracked in the first two weeks, 78% had lower prices than a year ago. The challenge for retailers at this time is not securing pork at reasonable prices. Rather, it is featuring something that has a lower price point and which can undermine their revenue targets.



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