Daily Livestock Report

Vol. 17, No. 23 / February 1, 2019

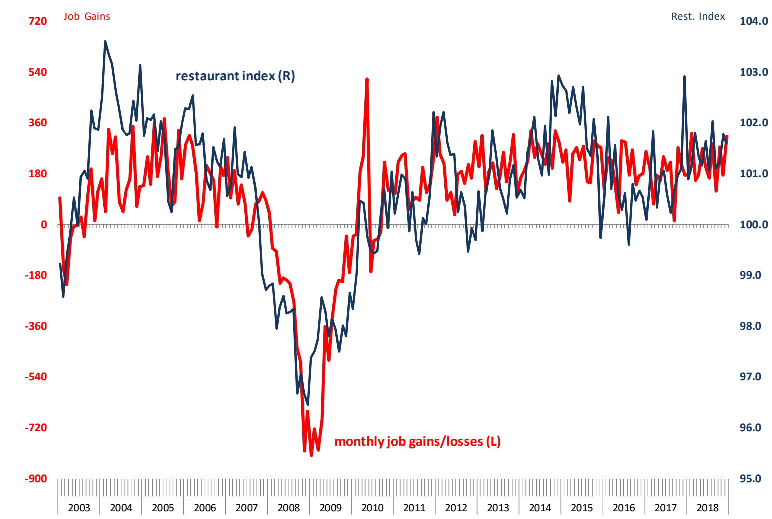
<u>Strong economic growth and low rate of unemployment have been kind to the US foodservice industry</u>. This does not mean business has been great for everyone. With more stores open and new concepts looking to distinguish themselves from the pack comes competition. Still, the latest data from the National Restaurant Association confirmed that the industry is firmly in an expansion phase. The total Restaurant Performance Index in December stood at 101.6, slightly lower than the 101.8 reading the previous month but still in expansion territory (reading above 100 suggests expansion). **<u>The index has been above a reading of 100 since August 2016 and there have not been two consecutive sub 100 readings since 2012</u>**. The chart to the right shows a correlation that is intuitively obvious. When the US economy adds jobs restaurant business tends to improve. There is a given number of meals that can be consumed in a given month and when consumers have a job and income they are likely to consume more of those meals outside the home. Due to the government shutdown the advance retail sales data was not released as scheduled so we don't have the December dollar sales at foodservice and grocery stores. In November, dollar sales at foodservice were estimated $60.560 billion, $3.446 billion or 6% higher than a year ago. By comparison, sales at grocery stores in November were $55.709 billion, $1.6 billion or 3% higher than the previous year.

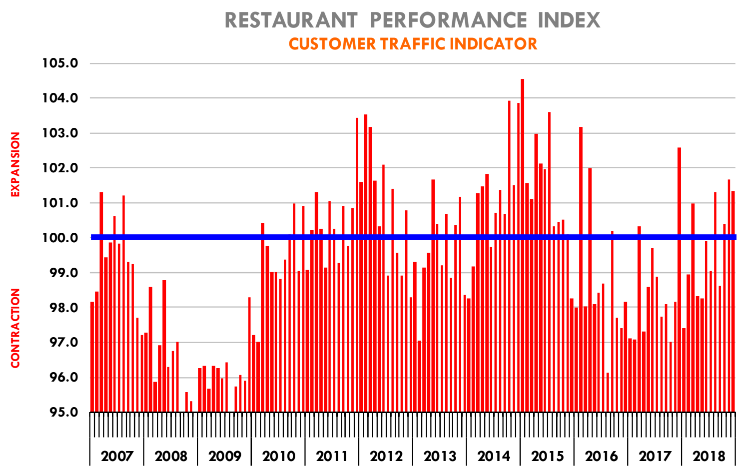
One of the more positive aspects of the recent NRA Restaurant Performance Index is **<u>strong growth in customer traffic</u>**. This is a somewhat fraught topic since the index only covers those restaurants that are members of NRA and we suspect that means a lot of large and established chains. With more competition some of those chains have faced declining customer counts. Consumers sought to diversify their meals, maybe opting to try that new Poke bowl at the new restaurant down the street. However, in the last few months the NRA traffic indicator has been gaining and firmly in expansion territory for the past three months. This could mean two things. Efforts from larger chains to revamp their menus and stores are starting to pay off and consumers are coming back. Or it means that consumers are simply eating out more and that includes more trips to established restaurants. Either way this bodes well for the industry as a whole.

The expansion of the foodservice sector is positive for meat protein overall and especially beef. Data published by NCBA based on Technomic research shows beef and chicken sharing about 30% of volume sales at foodservice but beef commanding a bigger share of dollar sales since the price of product sold is much higher. In an

NRA Restaurant Performance Index vs. Monthly Job Gains/Losses

Sources: National Restaurant Association, Bureau of Labor Statistics. Analysis by Steiner Consulting.





effort to drive traffic it appears a number of larger chains focused more on beef in 2018 and some have suggested this was part of the reason for the weakness in chicken prices, especially the price of chicken breasts. Current forecasts are for the US economy to continue to expand in 2019 and equity markets were buoyed by speculation that FED is unlikely to raise rates in the short term. **<u>Futures markets will trade up and down on any given day but the most recent restaurant data suggests that beef demand remains on a solid footing at the start of 2019</u>**.

The **<u>Daily Livestock Report is published by Steiner Consulting Group, DLR Division, Inc</u>**.. To subscribe, support or unsubscribe please visit www.dailylivestockreport.com.