

Prices for all meat proteins were lower compared to the previous year in January, reflecting the impact of expanding meat supplies and the need to move more product through domestic channels.

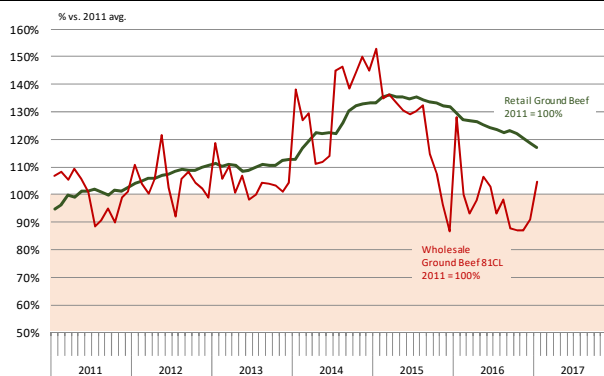
The price of choice beef at retail in January was pegged at \$5.66 per pound, 0.7% higher than the previous month but still about 5.2% lower than the previous year. When accounting for all beef products sold at retail, including ground beef, the average beef price was \$5.39 per pound, down 0.4% from the previous month and down 5.9% compared to the previous year. Retailers were especially aggressive in trying to sell ground beef in January, capitalizing in part on the wide gap between wholesale and retail prices. Strong margins, seasonally good consumer demand for ground beef after the holidays and higher rings per pound for ground beef all provided an incentive, in our view, to try and push more ground beef through retail channels. The result has been a dramatic improvement in the price of 50CL beef, with prices now in the high 70s compared to the mid 30s back in December. The price of 90CL lean beef also is holding above \$2 a pound at wholesale. The price ratio of lean and fat trim relative to cattle continues to run above normal levels at this time. Retailers also were particularly aggressive in trying to push chuck and round cuts, with the average chuck roast price down 5% from December levels and the price of steaks made from rounds down 4% from the previous month. Beef prices at retail continue to slide and the still fairly large gap between wholesale and retail prices should provide retailers opportunities to feature beef aggressively as we go into the spring and summer.

Pork prices declined substantially at the wholesale level last year and this is finally catching up with retail prices as well.

The average price of pork at retail in January was reported at \$3.57 per pound, 0.4% lower than the previous month and 5.9% lower than a year ago. One of the pork items that has been getting a lot of press recently is bellies (bacon) and the retail data helps explain some of what's been going on. Large hog/belly supplies in the fall gave retailers enough confidence to lower bacon prices at retail in order to ramp up sales. The average price of bacon at retail in January was \$5.1 per pound, the same as it was in December but 11% lower than it was a year ago. Retailers are much more sensitive to the price of bellies/bacon and normally sharp runups in wholesale prices are accompanied by a lagged response at retail. The question is not whether retail bacon prices will be much higher in March and April, it is only a question of how much they will increase and the kind of sales slowdown for bacon that will result from it. The price of pork loins continues to slide at retail and the very wide spread of wholesale and retail prices makes one wonder why retailers are not more aggressive in featuring this product. As we have mentioned many times before, it looks like the main challenge for this product is that it does not conform to the current consumer desire for more robust flavors. After all, it is not a coincidence that the price of bellies currently is 1.80 a pound and the price of pork loins is 75 cents. And this is not just a pork issue, the price of boneless/skinless chicken breasts, the archetype of the lean, flavorless protein is stuck in the \$1 per pound range while the price of chicken wings (plenty of bone and skin there) is now priced at \$1.90 per pound. The broiler composite price at retail in January was down 2% from the previous month and it is also down 2% from a year ago.

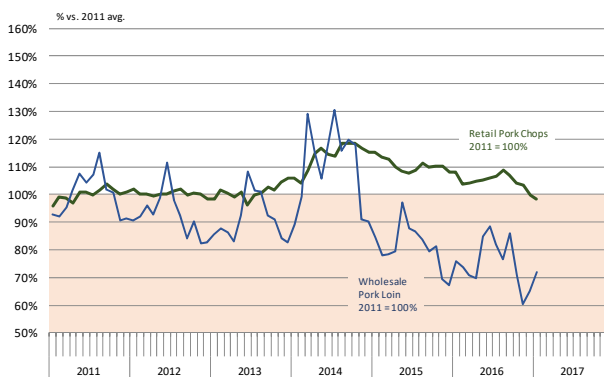
RETAIL GROUND BEEF PRICE VS. 81CL GROUND BEEF AT WHOLESALE

Indexed so 2011 = 100. Data Source: USDA. Compiled and Analysis by Steiner Consulting



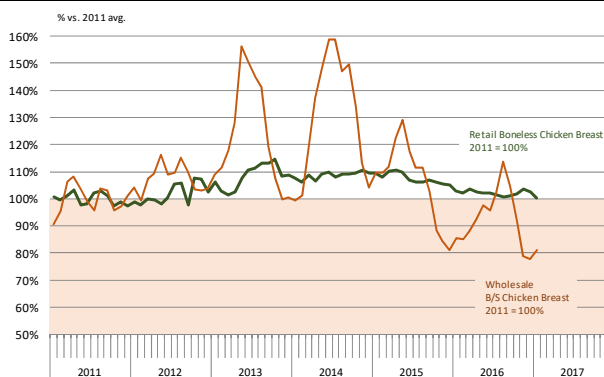
RETAIL PORK LOIN PRICE VS. 1/4 TRIM LOIN, VAC PAC, WHOLESALE

Indexed so 2011 = 100. Data Source: USDA. Compiled and Analysis by Steiner Consulting



RETAIL B/S CHICKEN BREAST PRICE VS. B/S CHICKEN BREAST, WHOLESALE

Indexed so 2011 = 100. Data Source: USDA. Compiled and Analysis by Steiner Consulting



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