

## Our Quarterly Subscription Reminder

Daily Livestock Subscriber,

Last quarter we introduced an **annual invoicing system** with the goal of making the contribution process for our readers **easier and more transparent**. We received a solid response from our readers and thank each and every one of them. Without their help, this effort would not be possible.

However **many have yet to respond**.

Moving forward, we will be reaching out to our readers by email on a quarterly basis to support the newsletter. We will also include a reminder for the next few days. If you read the DLR from the website and would like to contribute, please follow this [link](#) to donate directly or send me an email to request an invoice. We will only be contacting you by email if you have not contributed before, or have not contributed for at least a year.

If you and/or your company have already contributed this year, then there is nothing else to do, please accept our thanks for your support. And if you receive an email from us but you have already contributed, then our records may have gotten mixed up and would appreciate if you could let us know.

Asking for contributions is a time consuming process. Yet, it is one that has become essential for us to continue publishing the DLR. **A sliver of your time and money each year will ensure that the DLR can keep writing and informing the livestock industry for years to come.**

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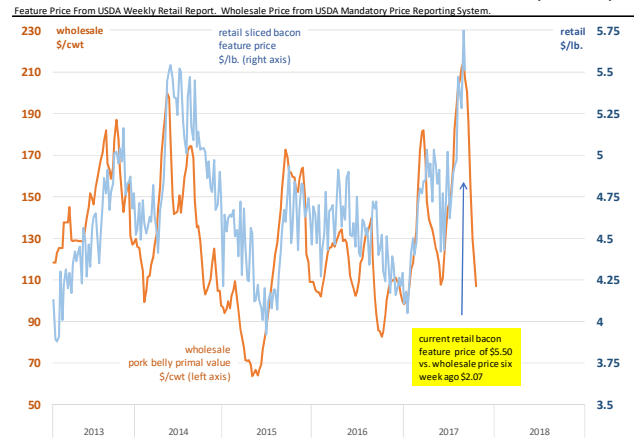
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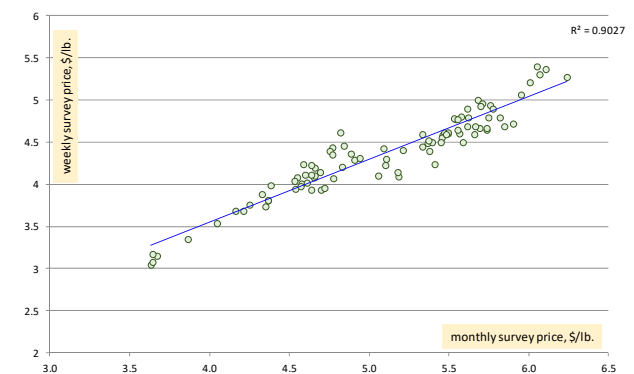
The top chart to the right is one we have shown several times in the last few months to illustrate the interplay between wholesale and retail prices in the belly/sliced bacon market. **The sharp decline in belly prices has been astounding (down 50% in the last few weeks). But it also makes a bit more sense once you take a step back and look at the extreme volatility in this product during the last few years.** It was not long ago when market participants were looking at pork belly prices over \$200/cwt and marveling at the level of consumer demand supporting such prices. But often demand discussions that center over wholesale prices fail to recognize that one needs to wait until the consumer is faced with the shift in price before coming to any meaningful conclusions. Demand indexes use retail prices for precisely that reason. Often it takes time for market participants to adjust to shifts in supply availability. They also may employ risk management tools that delay the effect of higher prices. And finally, some end users may simply have commitments that they need to fulfill and therefore have little choice but to pay up, not because their demand curve has changed but because, in the short term, they simply have no choice. Yes, pork belly prices in July jumped over \$200/cwt but that was not the price the consumer was paying in the meat case. Retail bacon prices have now adjusted to reflect wholesale prices earlier in the summer. According to the monthly USDA/ERS retail price data released yesterday, the average August retail bacon price reached an all time record high of \$6.24/lb., 7.3% higher than the previous month and 14.5% higher than the previous year. The previous record retail price for bacon was set in the summer of 2014, when it surpassed \$6 per pound. Back then, retail bacon prices remained at elevated levels between May and October as the spread of PEDv caused a significant shortfall in pork supplies. That is not the issue today. Hog supplies are expected to increase rapidly in the next few months while seasonal demand for bacon subsides somewhat. The only issue with the monthly retail data, as an indicator of what the consumer is facing, is that it is not immediate enough. USDA publishes by the middle of the month the average price for the previous month. However, we think the average USDA weekly feature price provides a fairly good indication for a number of products. We averaged weekly feature prices for the period 2010-2017 and looked at its relationship to the published monthly price. While not perfect, the relationship appears to be quite good (see second chart). Bottom line, you do not need to wait until the monthly data is released to understand what may be happening in the retail case.

**Beef prices declined in August and, judging by the current trend in cattle/cutout, we would expect retail beef prices to ease further in the next three months.** The average price of all fresh beef at retail in August was \$5.79/lb., 0.4% lower than the previous month and just 0.1% higher than a year ago. By comparison the average price of all pork at retail in August was 3.6% higher than last year while the average composite price for broiler meat was down 1.3% y/y. Last year retail beef prices declined 5% between August and December. This was the largest such decline for this period in more than 30 years. Are we going to see a similar pull back in retail beef prices this year? That's going to be something worth paying attention to. Certainly lower prices for ground beef raw materials, with 50CL trim now back to the low 40s, should provide an incentive for retailers to maintain ground beef promotions. The retail survey currently is showing the average price for all ground beef at \$4.21/lb, 1% under last year. Similarly, the average steak price at \$7.48/lb. is down 2% from July and down 1% from a year ago.

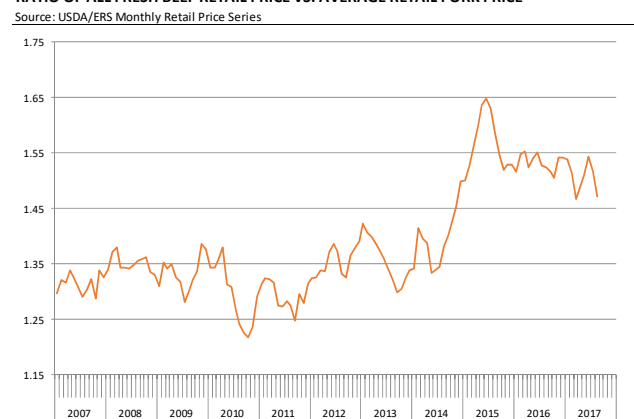
## RETAIL BACON AVERAGE FEATURE PRICE VS. WHOLESALE PORK BELLY PRIMAL (6-WK LAG)



Relationship between Sliced Bacon Prices in Monthly Survey vs. Weekly Survey  
Data Source: USDA/ERS & USDA Retail Price Reports. Weekly Prices Averaged to Monthly Equivalent



## RATIO OF ALL FRESH BEEF RETAIL PRICE VS. AVERAGE RETAIL PORK PRICE



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**Thank you for your support!**

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