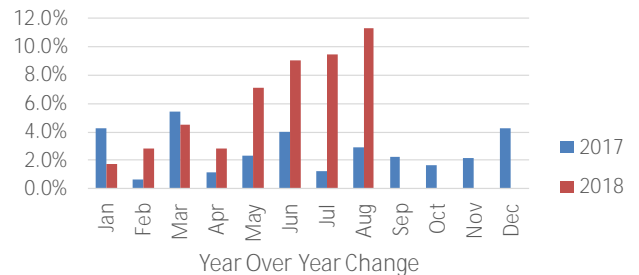


U.S. food sector retail sales in August posted the biggest year-over-year percentage gains since before 2016. The highlight was foodservice and drinking place sales that were up 11.3%, accelerating from increases of 9.1% and 9.5% in June and July, respectively. Grocery store sales in August were up 4.8%, similar to the growth path during the first seven months of the year. Retail sales, across the entire economy, were up 6.9% from a year earlier.

On a month-to-month basis, total retail sales were up \$17 billion from July to August. This compares to a \$15 billion increase from July to August in 2017. Retail sales for foodservice and drinking places this August increased by slightly over \$1 billion from the previous month, whereas a year ago retail sales in this sector of the economy were unchanged from the prior month. Grocery store sales actually declined by \$100 million from July to August 2017 compared to a \$450 million increase this August. This year, the food sector has played a key role in accelerating retail sales compared to being a non-participant last August. Sectors of the economy that did not experience July-to-August sales growth as good as a year ago were building material and garden supply stores, gasoline stations, and non-store retailers (e.g. e-commerce). The inverse relationship between spending on gasoline and food is fairly typical.

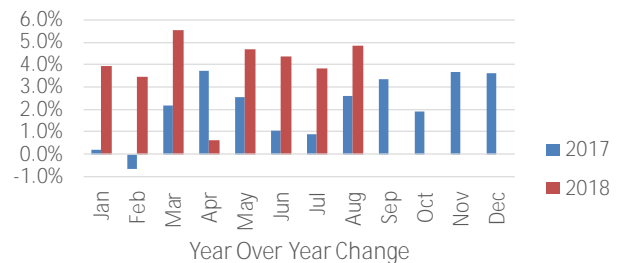
Food prices at the consumer level are rising at a slower pace than other goods and services in the economy. Based on data from the Bureau of Labor Statistics, consumer prices in August were up 2.7% from a year earlier. In July the increase was 2.9% with food prices for

Retail Sales Food Service and Drinking Places



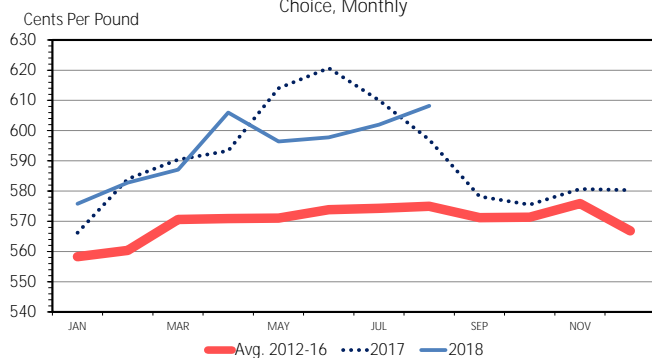
Source: Department of Commerce
Livestock Marketing Information Center

Retail Sales Grocery Stores



Source: Department of Commerce
Livestock Marketing Information Center

RETAIL BEEF PRICE Choice, Monthly



Data Source: Bureau of Labor Statistics & USDA-ERS
Livestock Marketing Information Center

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away-from-home meals up 2.8%. Grocery store food prices were 0.4% higher than a year earlier, with meat prices cheaper than in July 2017 by 0.7%.

In recent months, a big reason retail meat prices were lower than a year ago was due to beef, as prices from May-July were down 2%-3% from a year earlier. That situation changed in August as Choice beef prices moved back above year earlier values. A year ago, Choice beef prices were expensive in the spring and may have been a factor in weak demand for beef at the wholesale level in the months that followed. The trend towards higher grocery store beef prices in coming months compared to 2017 could be an issue for beef relative to increasing consumer willingness to spend money in the food sector.

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