

2011 ended with a piece of good news as the National Restaurant Association's Restaurant Performance Index (RPI) for November hit a five-month high, indicating a continuing rebound for the foodservice sector. The index, which represents several key factors impacting the restaurant business hit 100.6 in November, 0.6 points higher than the October level and 0.7 points higher than one year earlier. The index is constructed such that values above 100 indicate expansion of the sector while those below 100 indicate contraction. After recovering to growth levels in late 2010, the index indicated that the sector had struggled to maintain that momentum this year with values for May, July and August falling under 100. November marks the third straight month of RPI values of 100 or more.

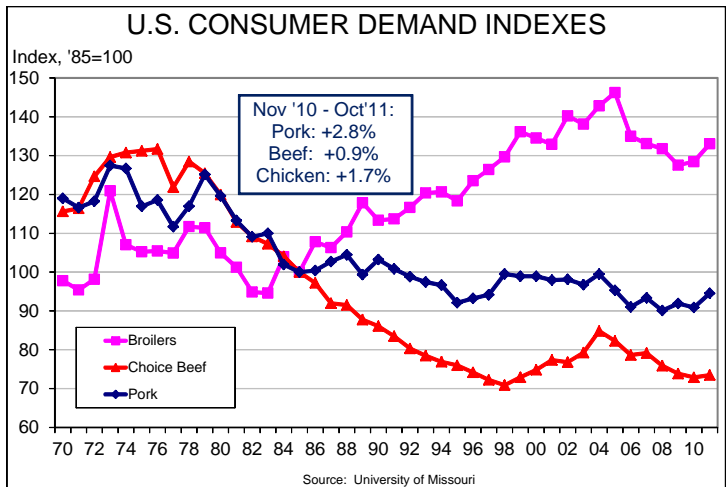
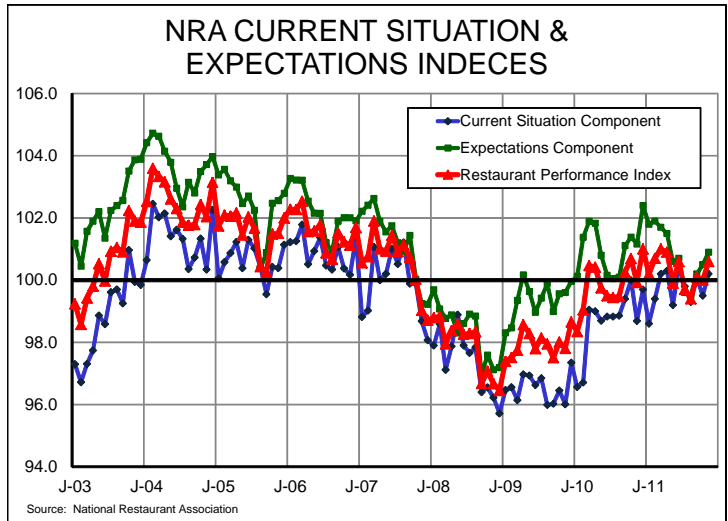
The RPI is composed of indexes of the Current Situation and Expectations. As can be seen at right, the Expectations Index virtually always leads the Current Situation Index, often by several points. That gap had disappeared this past summer as restaurant operators' views of the future were dampened by the slowing economy. Those expectations have improved significantly since August with the Expectations Index reaching 100.9 in November. The Current Performance Index hit 100.2 in November, its highest level since June.

The primary driver of both major index components in November was same-store sales. That factor stood at 102.2 in the Current Situation computations, its highest level since June 2007. November sales performance quite understandably pushed expectations of same-store sale sharply higher as well with that component reaching 102.9. Does the "best since the recession" number for November indicate a real change in the restaurant sector? Only time will tell but hitting a level higher than had been seen at any time during the tenuous recovery is encouraging, especially when the number is based on actual performance and not expectations.

All in all, the November RPI data is a great way to start the New Year!

Demand indexes also indicate that U.S. beef, pork and chicken demand are maintaining year-on-year increase as of October. These indexes, which we compute monthly, appear in the bottom chart at right. All observations except the last represent calendar year changes from the year before. The final observation in each series represents the 12 month period from November 2010 to October 2011, the last month for which data are available.

The indexes represent overall domestic consumer level demand for each protein since they are based on per capita consumption and real retail prices. "What about foodservice product?" is a usual, and legitimate, question when we mention that retail prices are used in the index calculations. The retail price is used for two reasons. First, there are no data for the price of foodservice protein components that, to our knowledge, are publicly available. Second, the retail price should be a shadow value of product sold



through foodservice in that any increase in foodservice volume will reduce the volume available through retail outlets and thus push retail prices higher. If readers see the latter as rationalization, we will have to plead guilty. The fact remains that no other data are available.

The trailing-twelve-month indexes for both pork and chicken declined when October data were added as the October year-on-year index changes for both species were negative. Chicken demand in October was 6% lower than in October 2010 while pork demand was down 4.6%, Oct '10 to Oct '11. The October 2011 beef demand index was 0.9% higher than one year earlier.

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PRODUCTION AND PRICE SUMMARY
Week Ending 12/31/2011

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Pct. Change
	Total Meat & Poultry Prod.	Million lbs.	1488.1	1644.1	-9.49%	1502.5	-0.96%	84,748	0.00%
C	FI Slaughter	Thou. Head	539	598	-9.87%	568	-5.07%	32,407	-0.55%
A	FI Cow Slaughter	Thou. Head	142.6	145.9	-2.28%	135.6	5.15%	6,463	4.18%
T	Avg. Live Weight	Lbs.	1294	1305	-0.84%	1315	-1.60%	1,280	-0.15%
T	Avg. Dressed Weight	Lbs.	777	780	-0.38%	791	-1.77%	773	0.02%
L	Beef Production	Million Lbs.	417.6	465.3	-10.25%	446.6	-6.49%	24,965	-0.45%
E	Live Fed Steer	\$/cwt live wt.	124.00	124.58	-0.50%	106.28	16.70%		
	Dressed Steer	\$/cwt carcass	195.15	201.37	-3.10%	169.15	15.40%		
&	OKC Feeder Steer	600-700 Lbs.	#N/A	149.53	#N/A	127.00	#N/A		
	Beef Cutout	600-750 Choice	193.78	191.37	1.30%	161.90	19.70%		
B	Hide/Offal	\$/cwt live wt.	12.35	12.30	-6.50%	12.39	-0.30%		
E	Rib	Choice	283.89	303.47	-6.50%	234.72	20.90%		
E	Round	Choice	179.76	170.59	5.40%	149.20	20.50%		
F	Chuck	Choice	164.73	158.14	4.20%	138.74	18.70%		
	Trimmings, 50%	Fresh	98.97	98.15	0.80%	78.84	25.50%		
	Trimmings, 90%	Fresh	197.50	194.16	1.70%	167.87	17.70%		
H	FI Slaughter	Thou. Head	1967	2155	-8.72%	1924	2.26%	105,825	0.29%
O	FI Sow Slaughter	Thou. Head	64.7	67.7	-4.41%	59.1	9.43%	2,927	1.89%
G	Avg. Dressed Weight	Lbs.	208	209	-0.48%	208	0.00%	206	0.87%
S	Pork Production	Million Lbs.	409.8	449.4	-8.81%	399.5	2.58%	21,743	1.19%
	Iowa-S. Minn. Direct	Avg.	78.45	78.86	-0.50%	71.37	9.90%		
&	Natl. Base Carcass Price	Weighted Avg.	80.28	81.90	-2.00%	69.52	15.50%		
	Natl. Net Carcass Price	Weighted Avg.	82.50	84.21	-2.00%	71.57	15.30%		
P	Pork Cutout	185 Lbs.	85.88	86.85	-1.10%	77.05	11.40%		
O	Hams	Primal Cutout	70.21	70.64	-0.60%	65.49	7.20%		
R	Loins	Primal Cutout	94.28	96.04	-1.80%	87.27	8.00%		
K	Bellies	Primal Cutout	108.30	108.31	0.00%	94.73	14.30%		
C	Young Chicken Slaughter*	Million Head	136.57	148.98	-8.33%	134.72	1.37%	7,674	-2.92%
H	Avg. Weight	Lbs., RTC	4.19	4.21	-0.53%	4.25	-1.58%	4.3	2.13%
I	Broiler Production	Million Lbs., RTC	571.8	627.1	-8.82%	573.1	-0.23%	32,838	-0.58%
C	Eggs Set	Million	194.5	194.9	-0.22%	205.2	-5.25%	10,135	-3.43%
K	Chicks Placed	Million Head	162.9	162.7	0.14%	168.1	-3.09%	8,421	-2.54%
E	12-City Broiler	Composite	80.01	80.45	-0.50%	77.40	3.40%		
N	Georgia Dock Broiler	2.5-3 Lbs.	88.91	88.89	0.00%	84.74	4.90%		
	Northeast Breast	Skinlss/Bonelss	125.83	126.02	-0.20%	113.30	11.10%		
	Northeast Legs		69.9	68.35	2.30%	50.01	39.80%		
T	Young Turkey Slaughter*	Million Head	3.55	4.07	-12.64%	3.46	2.66%	220.0	-0.31%
U	Avg. Weight	Lbs.	25.02	25.15	-0.54%	24.07	3.92%	23.8	1.51%
R	Turkey Production	Million Lbs.	88.9	102.3	-13.11%	83.3	6.68%	5,202	1.01%
K	Eastern Region Hen	8-16 Lbs.	100.25	101.83	-1.60%	87	15.20%		
F	Corn, Omaha	\$ per Bushel	6.30	6.15	2.44%	5.30	18.77%		
E	DDGS, Minnesota	\$ per ton	170.00	176.00	-3.41%	164.00	3.66%		
E	Wheat, Kansas City	\$ per Bushel	6.92	6.92	0.00%	NQ	NQ		
D	Soybeans, S. Iowa	\$ per Bushel	11.85	11.58	2.33%	13.62	-13.00%		
	SB Meal, 48% Central Illinois	\$ per Ton	299.10	289.40	3.35%	368.40	-18.80%		

* Chicken & turkey slaughter, production and prices are 1 week earlier than the date at the top of this table. Cow & sow slaughter are for 2 weeks earlier

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