

Daily Livestock Report

Market Comments

US consumers have been steadily moving their food purchase dollars to the grocery aisle and this does not bode well for the US meat industry. The charts to the right reflect the results of the monthly Advanced Retail Sales survey, which provides a snapshot of sales at a number of retail outlets, including grocery stores and foodservice and drinking establishments. It is important to note that the survey captures total dollar sales and consequently cannot be used to measure actual demand. Sales can increase for a number of reasons, higher prices, increased traffic, longer operating hours, or a combination of all of the above. Nevertheless, the long term trends should provide some indication as to the overall health of a particular sector and when examining food sales since 2006, it is clear that foodservice sales have been losing considerable ground. The dollar sales growth rate for the industry has been cut in half in this time period, reflecting the significant reductions in overall traffic, especially in concepts such as family dining. More recently, fine dining establishments also have shows a notable decline in customer traffic. Fast food is doing better than other concepts but results there also are disappointing.

The implications of a slowdown in foodservice sales for the meat industry in general and beef industry in particular are unquestionably negative. Consumer choices in the grocery aisle are quite abundant and **in an environment of rising food prices and negative disposable income growth, consumers will be extra cautious with their dollars, often substituting the high priced meat protein for less expensive items.** We have always thought that in order to look at the health of the meat industry, one has to pay close attention to the foodservice sector. Meat consumption is the primary focus of the US foodservice industry with beef taking the number 1 spot in the battle for the “center of the plate.” Chicken is number two and pork is a distant number three. Restaurant meals have provided a significant boost to overall meat sales in the US in the last two decades. During the late 1990s and then again in the middle of this decade, increasing asset values and rising wealth (in large part due to higher home values) caused US consumers to eat out more, which in turn helped support US meat consumption and boost prices. US consumers are feeling considerably less wealthy today and with equity, bond and home values declining there will likely be a lot more people grabbing a shopping cart in the months to come.

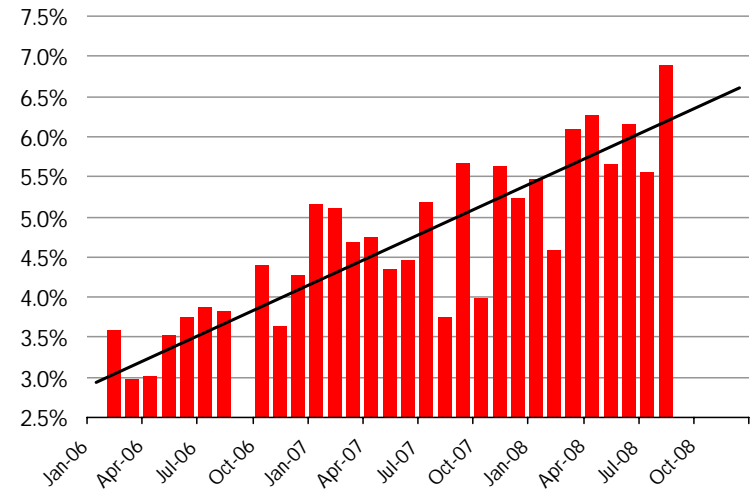
Please feel free to forward the Daily Livestock Report to others who you think will benefit from having this information. The DLR is published daily by **Steve Meyer and Len Steiner**, and distributed courtesy of Chicago Mercantile Exchange, Inc. You can **subscribe for free** by going to www.dailylivestockreport.com/subscribe.asp. To submit a comment or suggestion, please send an e-mail to: feedback@dailylivestockreport.com. To unsubscribe from the DLR newsletter, go to www.dailylivestockreport.com/unsubscribe.asp.

Disclaimer: The Daily Livestock Report is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract's value is require to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.

<u>E-Livestock Volume</u>	<u>7-Oct</u>	<u>6-Oct</u>	<u>30-Sep</u>
LE (E-Live Cattle):	14,576	8,978	11,631
GF (E-Feeder Cattle):	1,433	1,816	1,821
HE (E-Lean Hogs):	9,862	9,432	10,465

Free real-time Globex quotes: www.cmegroup.com/elivestockquotes

GROCERY STORE SALES : Y/Y % CH.



FOODSERVICE SALES : Y/Y % CH.

