

Advance estimates of food sector retail sales in September were released by the Census Bureau (Department of Commerce) last Friday. The pace of the recovery of consumer dollars moving into the food industry following the onset of the pandemic last March continues to be encouraging, although total sales are still down from a year ago. Food sector retail sales (food and beverage stores as well as food services and drinking places as defined by the Census Bureau) were down 2.4% from a year earlier, as of September. This was the smallest decline since March (-2.2%), when sales began to decline due to Covid and the shutdown of the economy.

Across the entire economy, retail trade dollars topped the year earlier value by 7.1%, approaching the increase that was posted in February (7.9%), which represented the biggest increase of the year so far. Highlighting the economy-wide sales increase was a 27.0% increase in year-over-year sales for the electronic (internet) shopping channels, which could also include substantial amounts of food purchases that were not occurring a year earlier in that market channel.

Grocery store sales were up 10.5% in September, year-over-year, a step up from the 7.2% gain in August. For the summer quarter, grocery store sales were up 9.9%, which was down from the spring quarter pace of 12.9% when shelter-in-place economic policies were rolled out.

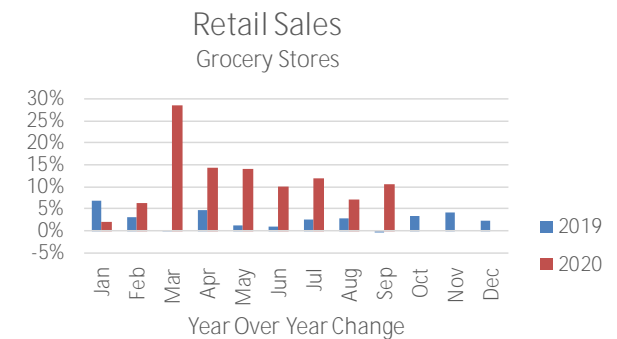
Food service and drinking place sales in September were down 13.7% from 12 months earlier, the smallest year-over-year decline of the last seven months. Summer quarter sales were down 16.4% from a year earlier, more than halving the decline that was registered during the spring quarter.

Consumer demand for beef has weathered the economic crosscurrents of the last six months relatively well. Steer and heifer beef production during the spring quarter fell 13.5% due to labor dislocations at processing plants and the choice beef Cutout averaged 36% higher that quarter than a year earlier. This price flexibility in the 36-to-13.5 relationship is close to historical norms for price responses to changes in supply. Summer quarter steer and heifer beef production should be up in the 1-5% range from a year earlier and the choice beef Cutout sank, but was only 4% less than a year earlier.

Last year, the choice beef Cutout average \$2.25 a pound

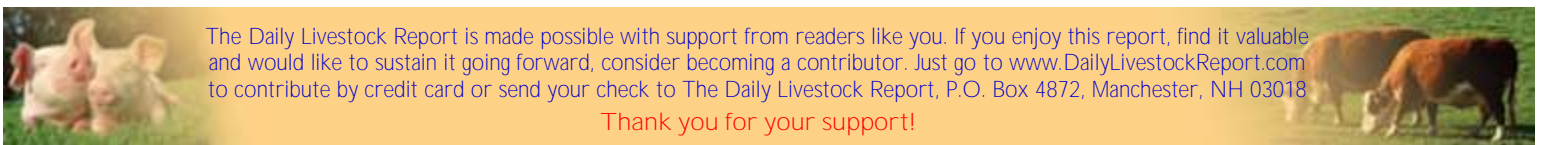


Source: Department of Commerce  
Livestock Marketing Information Center



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during the last three months of the year. The Livestock Marketing Information Center (LMIC) is expecting beef production this quarter to be up 2-3% this quarter from a year ago. Recent trends in the choice beef Cutout show some weakness as the average value for the week ending October 2 was \$2.181 and last week was \$2.117. The relationship between supply and price, based on the LMIC production forecast would support a quarterly average value for the Cutout in the \$2.10-\$2.20 range with some upside support above this range from consumer spending gains (i.e. food sector retail sales). Continued slowing in the growth of grocery store sales without additional improvement from foodservice retail sales would provide a headwind keeping the Cutout from moving much above current values.



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