

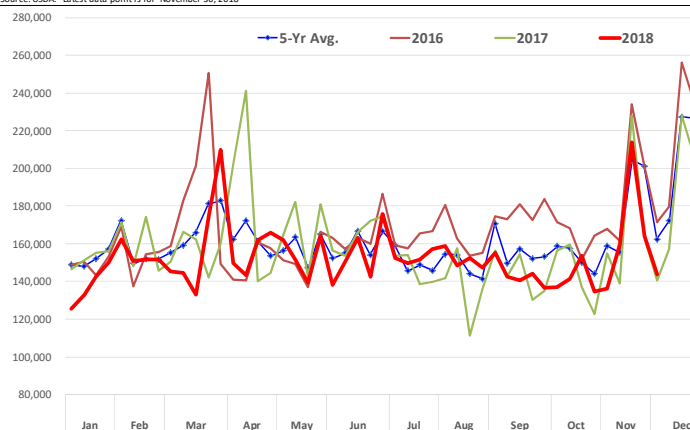
Despite ample pork supplies and often very competitive pricing, pork retail features have been underwhelming in the second half of 2018. Exports have been the market focus in recent months but it is always helpful to remember that domestic retail demand still accounts for the largest share of US pork consumption. The retail pork feature activity index tends to spike during times of year that correspond to key holidays, namely Easter, Thanksgiving and Christmas and holiday hams are a big part of such features. This year we have seen a similar pattern of holiday features (see top chart to the right) but **pork feature levels have fallen short of both year ago and five year average levels.** In the week before, week of and week after Thanksgiving 2018, pork retail features averaged 2% lower than a year ago and 8% lower than the five year average. Pork production has been consistently higher for much of this fall and yet retail features since early September have averaged 1% lower than last year and 7% lower than the five year average.

Pork loins are a staple of retail pork features throughout the year and, based on recent wholesale prices, an item that could provide some competitive price points for retailers. The challenge, from the retailer point of view, is that the lower priced features may not generate enough of an increase in volume sales to allow merchandisers to hit revenue targets. And hitting revenue targets is an important consideration for any business, food retailers included. Loin featuring activity has been sporadic at best during the year despite the ample supply and it has been notably lower in the last three months. This may help explain the consistent weakness we have observed in the value of the pork loin primal. Seasonally pork loin features decline in late November as retail features focus almost exclusively on holiday items. But **since early September the retail pork loin feature activity index has averaged 3% under year ago levels and 12% lower than the five year average for this period.**

Bacon features and retail bacon prices have been quite volatile. The bottom chart shows the relationship of retail bacon prices, as measured by the USDA weekly retail feature survey, and the wholesale belly primal value lagged by 6-weeks. The average 1-lb sliced bacon package price for the week ending November 30 was \$4.74/lb., 7% higher than where prices were in mid October. The higher retail bacon price may seem odd given that current belly prices are quite weak but keep in mind that the bacon sold last week was made and priced a few weeks ago. We would expect that current low belly prices will eventually lead to lower retail prices by early January and consequently better volume sales. Seasonally pork belly prices bottom out at the end of December and move higher in Jan/Feb.

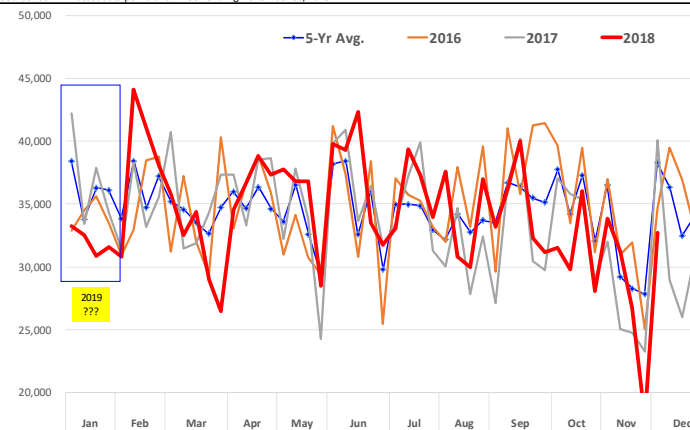
NATIONAL RETAIL PORK FEATURES REPORT: ACTIVITY INDEX

Source: USDA. Latest data point is for November 30, 2018



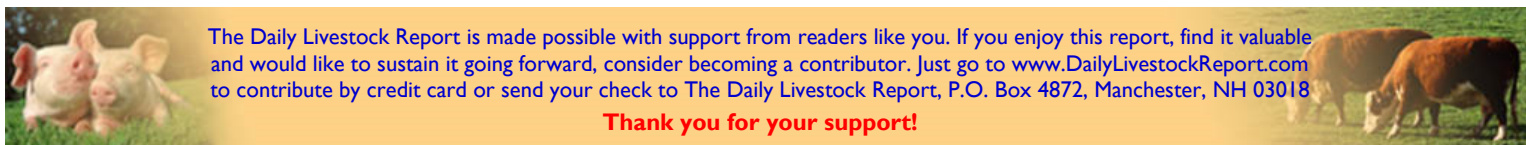
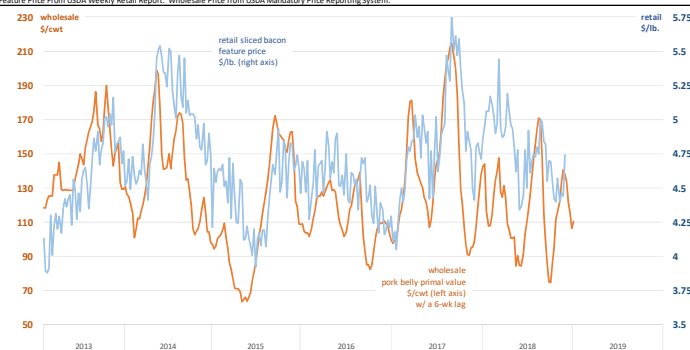
NATIONAL RETAIL PORK FEATURES REPORT: LOIN ACTIVITY INDEX

Source: USDA. Latest data point is for week ending November 30, 2018



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

Feature Price From USDA Weekly Retail Report. Wholesale Price from USDA Mandatory Price Reporting System.



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