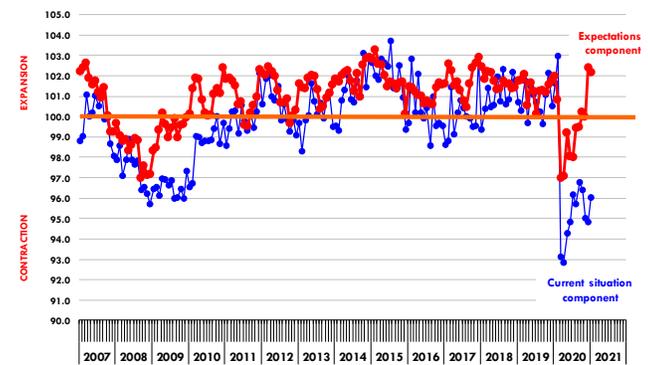


Our discussion yesterday focused on better than expected consumer demand to start the year. **Higher incomes, hopes from the rollout of vaccines and slow reopening of the economy have helped bolster livestock prices the spring and summer months.** The improvement in foodservice demand will be key in turning the hope, currently priced in the futures market, into reality. The latest report from the US National Restaurant Association (RPI) was a perfect mirror of today's reality. **The restaurant business remains difficult but everyone is hopeful that things will be much better come summer.** In January, the index measuring current conditions was pegged at 96, 1.1 points better than in December but still 4 points below what's considered steady state. In other words, the industry remains in contraction territory. Stringent rules on capacity, distancing and basically everything that make dining out fun continue to strangle the foodservice industry. Yes, many restaurants have pivoted (to use the new buzzword of the day) but there are many that have not. Think of the restaurants in downtown locations catering to the lunch crowd. With no people coming into the city, there is no customer base for delivery. In cities, some restaurants have made the decision to stay mothballed but others do not have enough financial support to do that. Bottom line is that restaurants are still struggling and will continue to do so in parts of the country where politics and health policy have become hard to distinguish. **The RPI index measuring current same store sales improved in January but still stands at 96.4, below the contraction line.** The index steadily improved in August and September but the new round of restrictions around the holidays caused sales to slump. The index measuring current customer traffic trends was pegged at 93.9 in January, 2.2 points higher than in December and back to October levels. It remains deep in contraction territory, as well (see chart).

Restaurateurs, like all entrepreneurs, are an optimistic bunch. The index measuring expectations has surged in the last two months. In January, the expectations component of the index stood at 102.2 points, suggesting growth in the next six months. The latest forecasts from the National Restaurant Association peg total industry sales for 2021 at \$731.5 billion 11% higher than in 2020 but still \$133 billion or 15.4% lower than what it was in 2019. The main challenge for the industry is that share of consumers that still remains wary of dining out. **A recent survey from RPI suggests that just 36% of all adults plan to eat at a table inside vs. 77% that plan to eat a restaurant meal off-premises.** So while business is expected to rebound in 2021, there will be plenty of challenges to overcome to get back to where things stood prior to the pandemic. Consumers are still having their meals, but where they eat those meals and what those meals consist of remains in flux. Consider the chart to the right. Dollar sales at foodservice establishments in January was estimated at \$54.6 billion, up \$3.5 billion (+6.9%) from the previous month but still \$10.8 billion or 16.6% lower than a year ago. On the other hand, grocery store dollar sales in January were \$64.0 billion, \$6.6 billion or 11.4% higher than the previous year. Combined foodservice and grocery store sales in January were \$118.7 billion, up an impressive \$5 billion from the previous month but \$4.3 billion or 3.5% lower than a year ago. What the dollar spend doesn't tell you, however, is the share of meat protein that consumers are now buying at retail vs. what they used to buy at the restaurant.

RESTAURANT PERFORMANCE INDEX - CURRENT SITUATION AND EXPECTATIONS

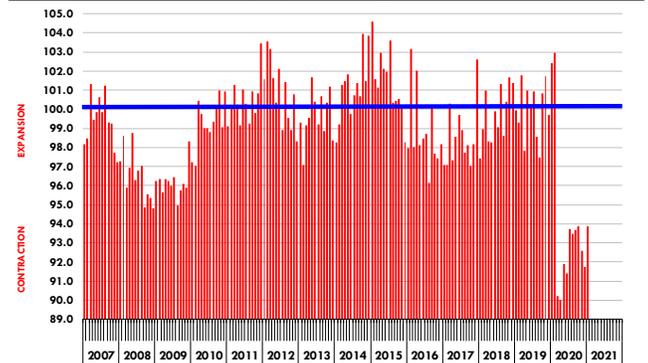
Source: National Restaurant Association. Analysis by Steiner Consulting



Data source: National Restaurant Association

RESTAURANT PERFORMANCE INDEX: CUSTOMER TRAFFIC INDICATOR

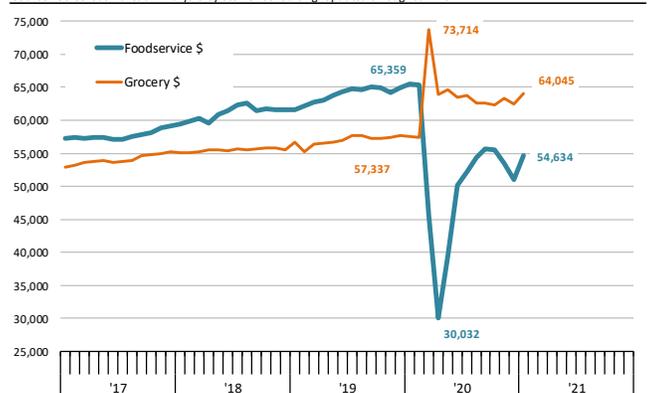
Source: National Restaurant Association. Analysis by Steiner Consulting



Data source: National Restaurant Association

Dollar Sales at Retail and Foodservice. Million Dollars

Source: US Census Bureau. Analysis by Steiner Consulting. Updated through Jan. 2021



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