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The National Restaurant Association's Restaurant Performance Index (RPI) improved slightly in November but failed to rise above the 100 level which demarks expansion from contraction. The benchmark Composite Index stood at 99.9 for the month, up from October's 99.5 and but solidly below the 100.6 reported for one year ago. Both components of the index improved in November with the Current Situation Index gaining 0.5 points to reach 99.8 and the expectations index gaining 0.3 points to reach 100.0. Those figures compare to 100.2 and 100.9, respectively, one year ago.

November marks the fourth time in the past five months in which the Current Situation Index has been below 100. We think the real question is whether the November gains are a reversal of the negative trend that has been in place since April or is another "head fake" such as occurred in August when both index components made similar gains only to lose ground again in September and, even more dramatically, in October. November's Current Situation Index was supported by a sharp increase in same-store sales and customer traffic, both of which rebounded from a disappointing October. The Same-Store Sales index gained 2.1% to reach 102.5 in November while the Customer Traffic component of 100.8 ws 1.9% higher for the month. Both components were still slightly lower than in November 2011.

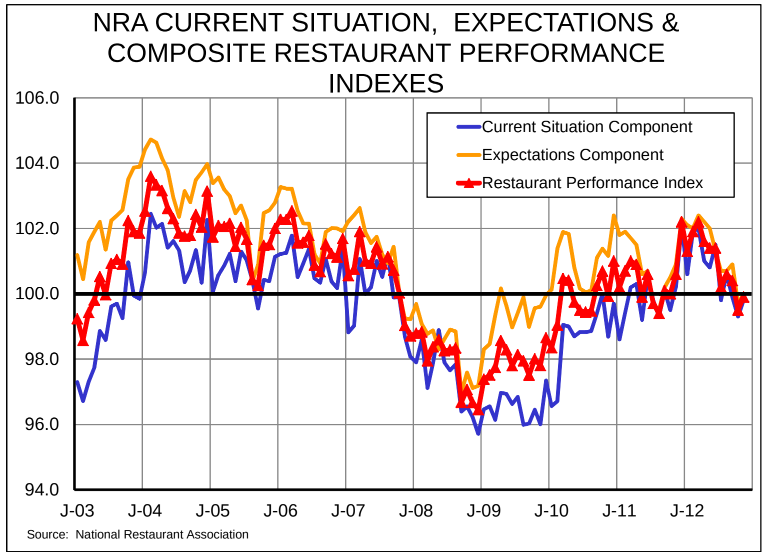
The Labor component, which measures numbers of employees and hours worked and stood at 98.4 in November, was 0.1% lower than in October. The big drag on the Current Situation was Capital Expenditures component which lost 1.8% to fall to 97.5. That figure is 1.6% lower than one year ago and is at its lowest level since April 2010.

The percentage of operators reporting gains in same-store sales improved in November. Fifty-five percent (55%) said sales were higher than one year ago while only 30% reported lower sales. Those numbers compare to 40% and 26%, respectively, in October. The October percentages were the worst reported for the entire year of 2012.

Operators expectations for sales growth improved as well. The percentage of respondents expecting higher sales six months hence grew from 31% in the November survey to 37% in December. The percentage expecting lower sales fell from 21% to 14%. While improved, it should be noted that the December figures are still sharply worse than those from as recent as July when 50% expected higher sales in six months and 13% expected lower sales.

Finally, operators re still generally negative about the economic outlook for the net six months. The percentage expecting improvement over that period (21%, up only 1% from November) is still much lower than the percentage expecting worse conditions (36%, down 2% form November). As recently as October more operators expected improvement than expected worsening of conditions and the percentage were almost perfectly reversed as recently as June when 36% expected improvement and 19% expected worse conditions.

We think it is important to remember that these data were all collected during and shortly after a period when our political candidates were constantly trying to scare voters (who happen to also be consumers) just how awful things were in the U.S. — and how much worse things would get if the other side won the election. Combine that with unemployment and disposable income levels that were in fact pretty negative and, lo and behold, people may act have indeed reacted negatively. Funny how that works.



We still find it interesting that foodservice operators' expectations are so near their rating of current conditions. As you can see in the chart, foodservice operators have, in general, been an optimistic lot with their expectations of performance running well ahead of their judgment of actual performance. And such was the case in both good times (judged by when the indexes were consistently above 100 from '04 through '06) and bad. But the past 18 months have seen the two component indexes track quite closely with one another and, if anything, grow closer since last summer. It doesn't appear that foodservice operators — or at least those surveyed for the index — are getting ahead of the here and now.

One last musing — at least we hope it is the last one — on Friday's Hogs and Pigs report. We realize that slaughter is the only output measure that actually gets counted and is, thus, the ultimate measure of how many hogs exist. It is also driven by the number of hogs born and surviving in some previous period. But differences between the two flows (pigs being born and pigs being slaughtered in a later time period) can be impacted by changes in the rates of flow.

We raise the question, of course, in light of USDA's big revision in the March-May pig crop (+636,000 head) last week. We realize that Sep-Nov slaughter was higher than normal but prolonged summer heat likely pushed some pigs from slaughter in August to slaughter in September. In addition, producers' well-documented efforts to reduce feed expenditures by getting pigs to market earlier likely pulled pigs forward — including from December to November. The 636,000 head revision represents only 1.44 days worth of slaughter. Was the number of pigs farrowed in the spring quarter really larger or did they just flow to slaughter differently? Part of that answer will lie in Dec-Feb slaughter relative to the Jun-Aug pig crop.

The Daily Livestock Report is published by Steve Meyer and Len Steiner. To subscribe/unsubscribe visit www.dailylivestockreport.com.