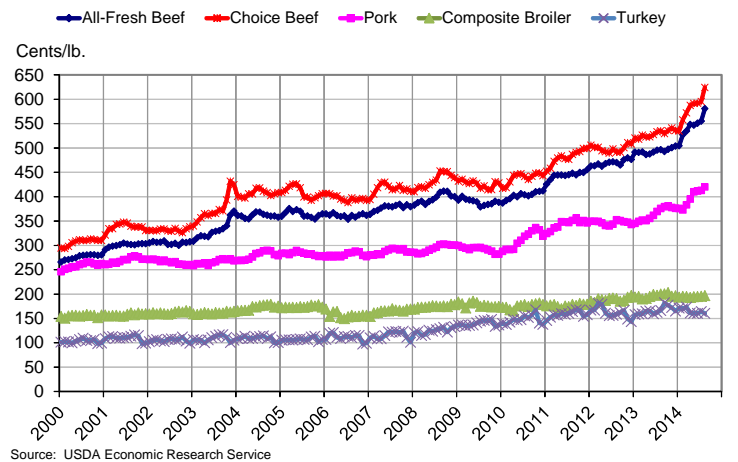


**Retail beef and pork prices made another leap to new record highs in August according to USDA's Economic Research Service.** ERS's weighted-average retail prices are based on data gathered by the Bureau of Labor Statistics. Historical data for the four major meat/poultry species appear at right. Some highlights of the August figures are:

- The Choice-grade beef price eclipsed the \$6 level for the first time. August's average price of \$6.24 was 4.9% higher than last month and 16.6% higher than one year ago. August pushed to five the string of months in which Choice beef prices have been more than 10% higher than last year and marked the seventh straight month of record Choice beef prices.
- The All-Fresh beef price set a new record, too, but remained under the \$6/pound level. August's average price for all fresh beef, which includes Select and store-grade beef cuts, was \$5.807 per pound, 4.6% higher than in July and 16.9% higher than one year ago.
- Both retail beef price series were driven by record-high cutout values in July and early August. The Choice cutout hit its all-time weekly high of \$262.26 the week of August 9 and has fallen by over \$10 since then. Last week's average Choice cutout of \$251.08 is, however, still extremely high. In fact, it would have been a record as recently as the week of July 19! Tight fed cattle supplies — and expected lower feed-lot inventories in this afternoon's Cattle on Feed report — will likely keep wholesale costs near these record levels, providing little respite for retail beef prices in coming months.
- Pork prices also set a new record in August with the average retail value reaching \$4.20 per pound. That figure is 1.8% higher than in July but 11.8% higher than one year ago. August marks the sixth straight month in which a new record has been set. The first of those months was March when the magnitude of the PEDv piglet losses first began to be realized.
- The retail pork price rose in August primarily due to the strength of pork wholesale values in July. Recall that, after a selloff in April and a steady month in May, the pork cutout value gained over \$20/cwt to hit a record high of \$136.11 the week of July 18. It has fallen by over \$30/cwt since then, suggesting that retail pork prices could decline in September. There is no guarantee of such a decline, of course, since retailers will want to make their new-found margin positions last as long as possible. But competition will work eventually.
- USDA publishes two broiler prices, one for whole birds and the other a composite of various chicken cuts. The composite price appears in the chart. That value grew by 0.7% in August to reach \$1.97/pound. That value is 1.6% lower than one year ago and remains well below the record level of \$2.031 set in October 2013. In spite of the record-high levels of competitors' prices, we suspect that chicken prices will continue to trend lower as chicken companies finally begin to respond to lower costs and higher profits. Egg sets the week of September 7

## RETAIL MEAT PRICES, USDA



were up 3.6% from one year ago — the largest year-on-year increase so far in 2014. USDA's whole-bird retail broiler price was record-high in August at \$1.97/lb., 5.2% higher than last month and 5.6% higher than last year.

- As noted last week, USDA's retail turkey price represents whole birds. That product is a slow seller to say the least from January through September and really only becomes relevant to the overall market in the fourth quarter when holiday sales pick up. As can be seen in the chart, whole turkey prices have set record on a couple of occasions in the past two years but August's \$1.604/pound remains well below the record high of \$1.819/pound set in September 2013.
- USDA does not provide any other retail turkey prices but wholesale turkey product prices tell a very different story about conditions in that sector. Turkey breast meat prices have been more than double year-ago levels for much of the summer and, at \$4.03/pound last week, remained over 90% higher than in 2013. Turkey tenderloins have been even higher versus history with last week's \$3.67 exceeding year-ago levels by 125%! Drumsticks have been 28 to 30% higher than last year since early August and wings were over 50% higher than one year ago for much of the summer. The only major turkey cut that is currently lower than it was one year ago is mechanically separated turkey (down 12.7% yr/yr last week) but it has been as much as 40% higher much of the year. And all of this on turkey output that is down by 4% year-to-date and turkey exports that are only 0.9% higher than one year ago through July. The lower supplies should have driven higher prices but the magnitude of the wholesale price increases suggest that turkey demand is up substantially from 2013 levels. And it makes sense — turkey is well positioned to meet consumers' new interest in protein while keeping fat levels low.



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