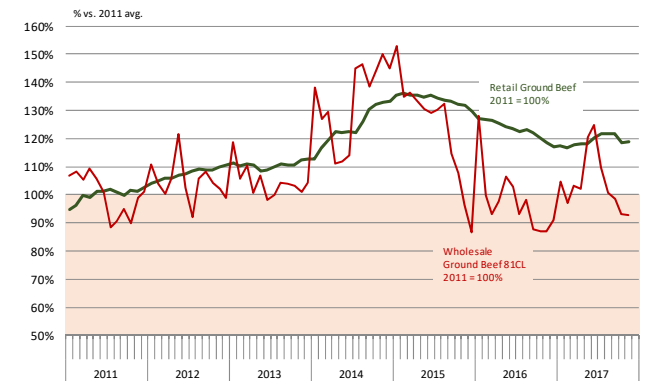


US consumers have enjoyed lower prices for beef, pork and chicken this year and, based on current trends in wholesale markets, the trend is likely to continue in the new year. But the downward price adjustment has not affected all proteins the same way. **In the last couple of months retail prices actually have increased compared to a year ago, which could influence consumer purchasing behavior during Q1.** The November survey data from the Bureau of Labor Statistics (compiled by USDA) shows **continued chicken price deflation but higher retail prices for beef and pork.** The average price for fresh beef at retail in November was reported at \$5.81/lb., 0.9% higher than the previous month and 0.7% higher than a year ago. Retail beef prices rose sharply in June and July following escalating wholesale beef prices and robust consumer demand. Since then prices have declined but are still above 2016 levels. There is no distinct seasonality in retail beef pricing (there is for specific items) and largely prices at retail will tend to follow the long run trend in the beef cutout. **The choice beef cutout moved higher in September and October, leading to the higher prices for beef in November and very likely in December as well.** The higher prices could be problematic for beef sales in the near term. Supplies of market ready cattle by January 1 are expected to be as much as 5% higher than a year ago. A mild winter (so far) has caused cattle to perform better and cattle weights have been moving counter seasonally higher in the last two weeks, further adding to the beef pounds coming to market. Cattle futures have pulled back recently, indicating that market participants recognize that lower prices may be needed in order to maintain the product flow and prevent product from backing up, be this in the feedlot or freezer. But the factors that have supported beef demand to this point remain in place; whether low unemployment, higher disposable incomes or strong global growth. The pullback should help set the stage for more beef features going into the spring and offer renewed support to cattle/beef into the spring.

Retail pork prices were also higher in November, which could negatively impact consumer purchases into year end and especially in January/February. The average price of pork at retail in November was \$3.77/lb., 4.4% higher than the same time a year ago. Pork prices declined sharply in Q4 of 2016 and Q1 of 2017, which helped absorb the ever increasing supply of pork coming into the market. The recent surge in retail prices could slow down the flow into retail channels, at least in the short term. Already we have seen the impact of higher retail prices on the ham and belly complex. Ham wholesale prices are currently as much as 30% lower than a year ago. Belly prices, while still about 8% above last year, are down dramatically from where they were a couple of weeks ago, in part we think because retail prices have once again started to climb. The chart to the right shows the retail and wholesale price performance for pork loins. In our discussion yesterday we noted the need to derive more value from this very important price of the carcass. The price of pork loins at retail is now 4% lower than the 2011 average while the wholesale price is down 33% for the same time frame.

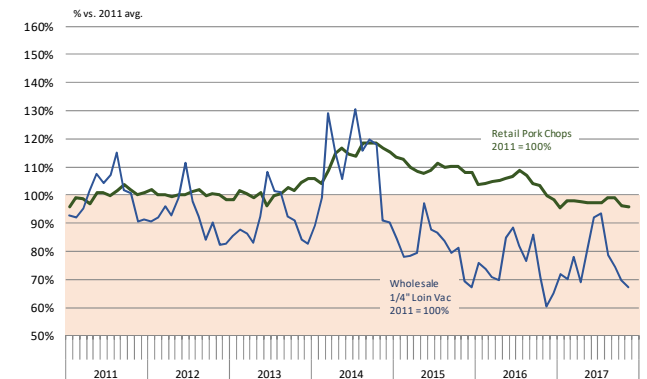
RETAIL GROUND BEEF PRICE VS. 81CL GROUND BEEF AT WHOLESALE

Indexed so 2011 = 100. Data Source: USDA. Compiled and Analysis by Steiner Consulting



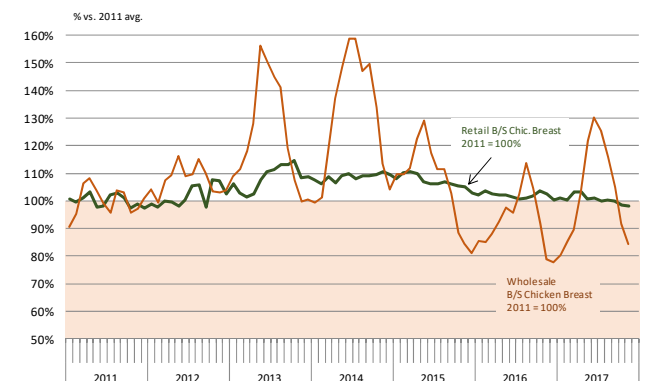
RETAIL PORK LOIN PRICE VS. 1/4 TRIM LOIN, VAC PAC, WHOLESALE

Indexed so 2011 = 100. Data Source: USDA. Compiled and Analysis by Steiner Consulting



RETAIL B/S CHICKEN BREAST PRICE VS. B/S CHICKEN BREAST, WHOLESALE

Indexed so 2011 = 100. Data Source: USDA. Compiled and Analysis by Steiner Consulting



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