

February retail prices for beef, pork and chicken were released on Wednesday by USDA-ERS and the thing that stands out the most is how stable those prices have been in the last 24 months.

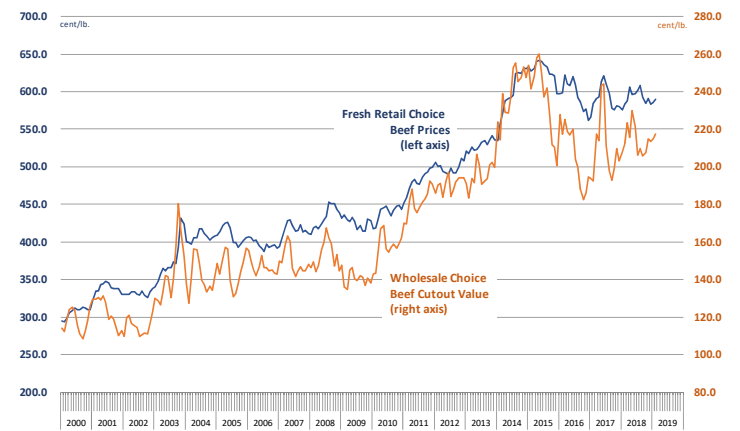
The average price of beef at retail in February was estimated at \$5.90/lb., 0.7% higher than the previous month and 1.2% higher than a year ago. Since January 2017 the retail price of beef has averaged \$5.91/lb., with the highest registered price during this period being in June 2017 when prices hit \$6.21/lb., 5.1% higher than the two year average. During this period, the choice beef cutout has been particularly volatile. The average choice beef cutout value in February was \$2.175/lb., 2.4% higher than the previous year but not far from the 2017-2018 average of \$2.12/lb. The highest beef cutout level during this period was in May and June of 2017 when the cutout was as high as \$2.44, 15% higher than the five year average.

While the spread between the retail price of beef and the choice cutout has been wider than in previous years recently, volatility and an uptrend in wholesale prices helps explain why retailers have been reluctant to make any big changes to retail sale prices. That cannot be said for pork, however. **The spread between the retail price of pork and wholesale prices has been dramatically higher in the last four years.** The spread is big enough that it warrants some further questioning. The main knock regarding the BLS reported meat prices (USDA-ERS reports it but its based on BLS data) is that it does not fully capture the effect of retail promotions. What seems to often happen, especially for pork, is that retailers are very reluctant to change the sticker price but, during times of ample supply and low prices, they run special promotions, either offering discounts or buy one get one free deals. But when they do not run those promotions retail margins are especially large and may limit pork sales considering current industry growth. The current sticker price for pork at retail is hovering where it was back in 2014-15 when pork prices spiked due to PEDv and yet the wholesale price is now back to where it was in 2009.

Looking at the price of individual products at retail, a few things stand out. **The average retail ground beef price last month was \$4.169/lb., unchanged compared to January levels but 2.4% higher than a year ago.** Retail ground beef prices have been trading in a range in the last two years but they are currently on the higher end of that range. Demand for middle meats (steak cuts) has been on an uptrend, in part due to robust sales at foodservice. The result has been higher retail prices for steak cuts. The average price of all uncooked beef steaks in February was \$7.597/lb., 2.8% higher than a year ago. While the current price is lower than the price levels paid last summer (\$7.72/lb.), it is higher than the average retail steak price in the summer of 2017. **Beef supplies have increased since then and yet retail steak prices are higher, reflecting the need to ration out demand.**

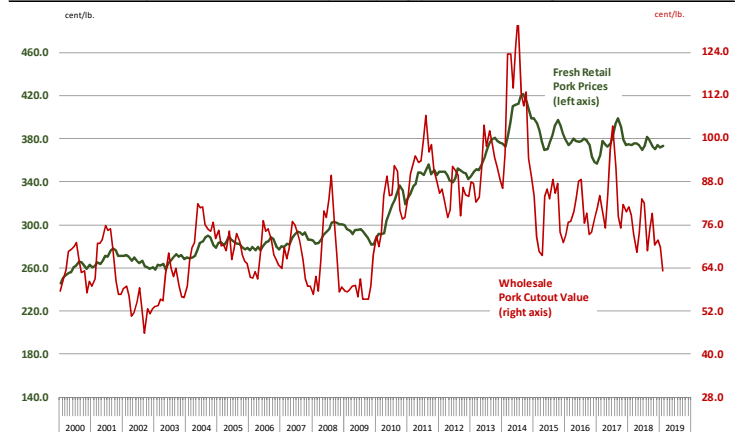
Retail Choice Beef Prices vs. Wholesale Choice Beef Cutout

Data Source: USDA Monthly Retail Price Series, USDA Mandatory Price Reporting System & Steiner Consulting

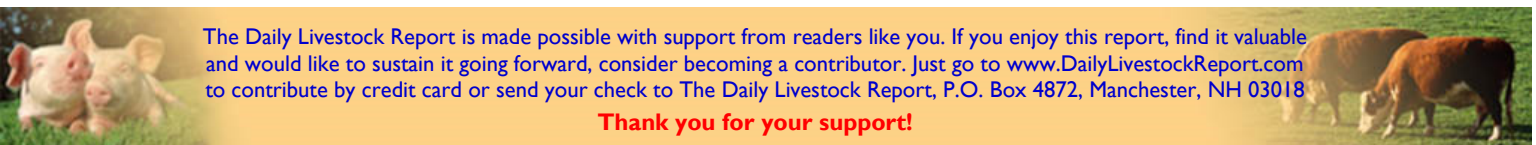


Retail Pork Prices vs. Wholesale Pork Cutout

Data Source: USDA Monthly Retail Price Series, USDA Mandatory Price Reporting System & Steiner Consulting



As for pork retail prices, individual data supports the point made above. **For all the cheap pork prices available, retailers remain resistant to the idea of lowering the sticker price and continue to rely on promos/deals.** The average price of all pork chops at retail in February was reported to be \$3.5% higher than a year ago. Pork loin prices at retail are now at the lowest level in a decade but you would not know that if you just looked at the retail price in the USDA/BLS data. Bacon prices at retail have averaged around \$5.626/lb. the last two years and in February the price was \$5.50. For all the ups and downs at wholesale, bacon prices have been flat for the last 24 months.



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