

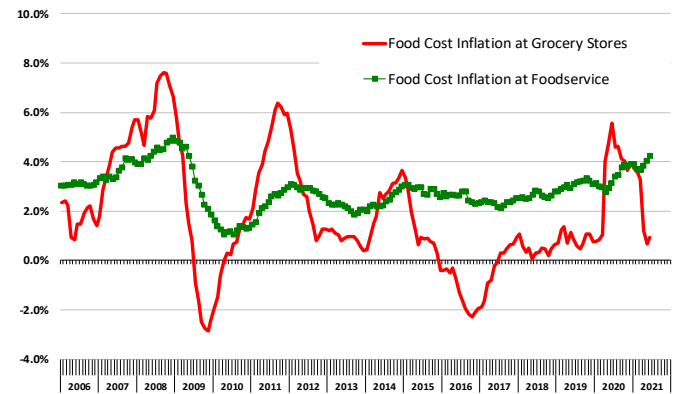
Consumer price inflation (CPI) accelerated in June, with headline inflation up 0.9% from the previous month and 5.3% higher than a year ago and the biggest y/y increase in consumer prices since 2008. Broader inflation for June was higher than analysts expected, with the consensus forecast at +0.5% m/m. Reopening of the economy clearly has helped bolster inflation figures as prices for lodging, rental cars and airfares have increased substantially. Higher prices for vehicles, both new and used, also added to June price inflation.

Food prices were also higher in June compared to a year ago but the pace of growth differed. COVID shifted consumer demand to the grocery store last year, resulting in significant price inflation for food consumed at home. As a result, current inflation is relatively muted when compared to last year's high levels. June inflation for food consumed at home was up 0.9% compared to a year ago but 6.5% higher than in June 2019. **Reopening of the economy and lifting of restrictions has clearly bolstered prices for food consumed away from home.** This component of the index in June was up 4.2% compared to the depressed levels a year ago and 7.5% higher than two years ago. The top chart illustrates the y/y change in cost inflation for food consumed at grocery stores (at home) and foodservice (away from home). While the broader inflationary trends impact both these sectors, retail food prices are clearly much more volatile and responsive to shifts in wholesale price inflation. We expect inflation at the restaurant level to continue to outpace inflation at the grocery store because structural issues, especially labor cost pressures, are much more acute in that sector. As the economy recovers from COVID and the labor force slowly returns to pre-Pandemic work patterns, we also expect increased inflationary pressures at the restaurant level. The reduction in the number of restaurants available, down as much as 9% by some count, will also tend to bolster cost inflation at foodservice.

Price inflation for specific meat products was significant in June although it is important to recognize that we are comparing to some fairly lofty price levels a year ago. Take the CPI for beef, for instance. The index in June (note this is an index value not a price) was 374.9, 5.3% higher than the previous month but 2.8% lower than a year ago. Retail pork prices in June jumped 4% from the previous month, a similar increase as in June 2020. **Compared to a year ago pork retail prices were 3.2% higher.** The poultry retail price index in June was 255.9, up 0.9% from the previous month and 1.2% compared to a year ago. The second chart to the right tries to put the retail price index for the three main proteins in a longer term context. In the last 10 years, beef retail prices have increased at a faster pace than the price of pork and poultry. **June beef prices were 51% higher than the average beef retail price in 2011.** Pork retail prices, on the other hand, were 19% higher than in 2011 in June while poultry retail prices were up 22%. We have seen significant increases in wholesale beef and pork prices in the last few months but, as the bottom chart shows, the y/y change of prices at retail is far less volatile than at wholesale (PPI). Now that wholesale price inflation has started to subside, we would expect retail price inflation to slow down as well. But as noted above, grocery store inflation will respond more quickly to wholesale price changes.

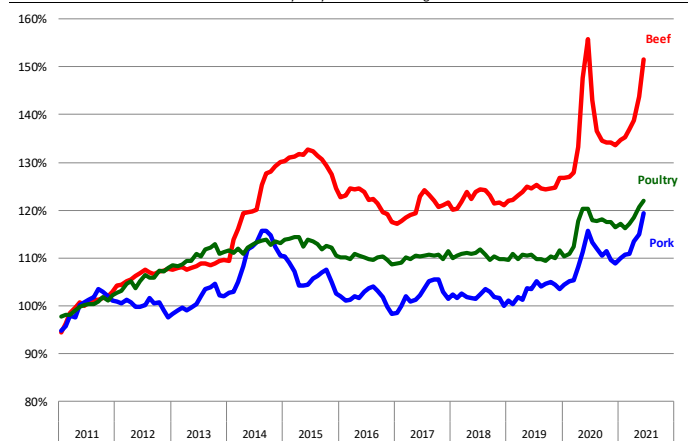
Food Inflation at Grocery Stores and Foodservice. Y/Y Ch.

Source: BLS. Analysis by Steiner Consulting

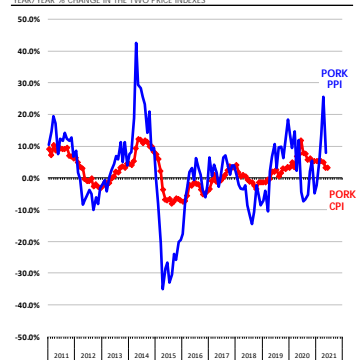


Retail Meat Prices (CPI): Beef, Pork and Poultry

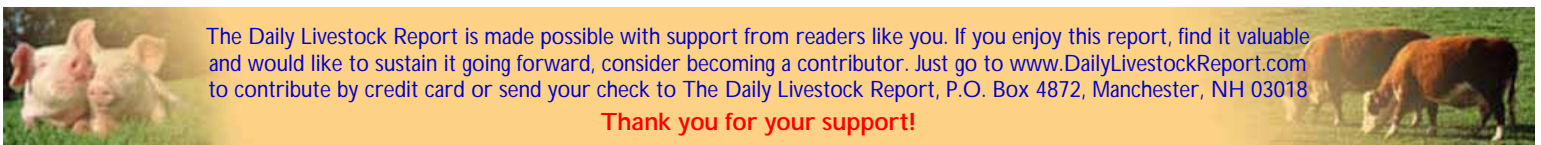
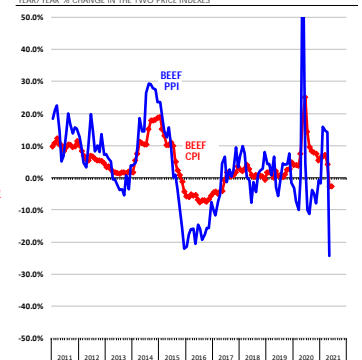
CPI Values Re-indexed with Year 2011 = 100%. Analysis by Steiner Consulting



PORK PRICE INFLATION: WHOLESALE PRICES (PPI) VS. RETAIL PRICES (CPI)
YEAR/YEAR % CHANGE IN THE TWO PRICE INDEXES



BEEF PRICE INFLATION: WHOLESALE PRICES (PPI) VS. RETAIL PRICES (CPI)
YEAR/YEAR % CHANGE IN THE TWO PRICE INDEXES



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