



Make Informed Decisions

Kevin Grier

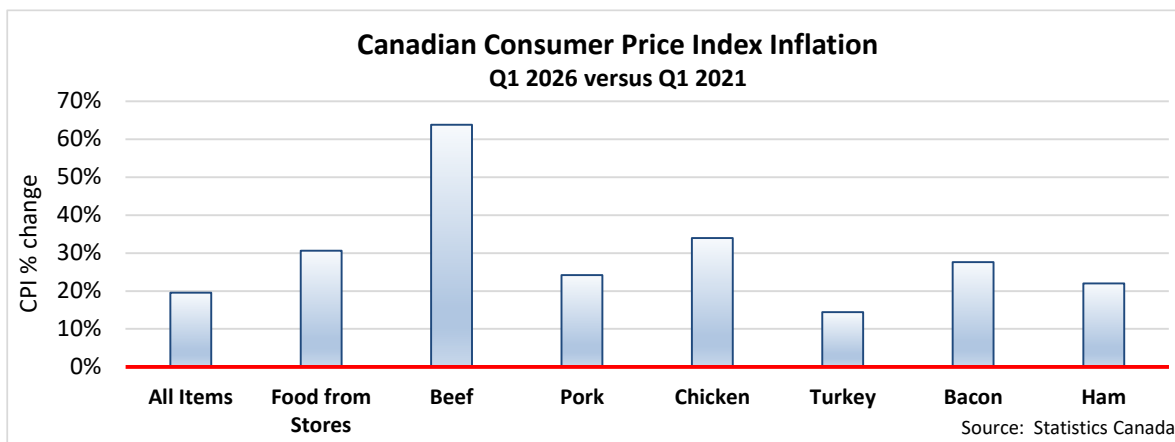
Market Analysis and Consulting Inc.

Grocers Stick with Beef

The Statistics Canada March Consumer Price Index (CPI) showed that the CPI for all consumer items increased 2.4% this March versus last. Food purchased from stores in Canada increased by 4.4% versus March 2025. The food CPI was led by beef, as usual, which increased by nearly 13%. Believe it or not, the 13% increase in March was less than the prior 12-month average increase which was 14%. Retail pork prices increased by 6% in March while processed pork increased 8%. Canadian chicken prices at stores increased by 7.5% in March.

Now Versus 2021

It is interesting to track the performance of prices now in comparison to 2021. That was the year in which inflation began to surge due to government spending. From the first quarter of 2021 through the first quarter of this year, the CPI for all items increased by nearly 20%. Over that same period, consumer beef prices increased 64%. The beef price increase was more than double the inflation rate of food from stores.



The Canadian dollar value of the USDA beef cutout is the best estimate of cost of beef for retail and foodservice buyers in Canada. That is due to the free flow of cattle and beef across the border; prices in Canada are arbitrated with U.S. prices. At any given time, the

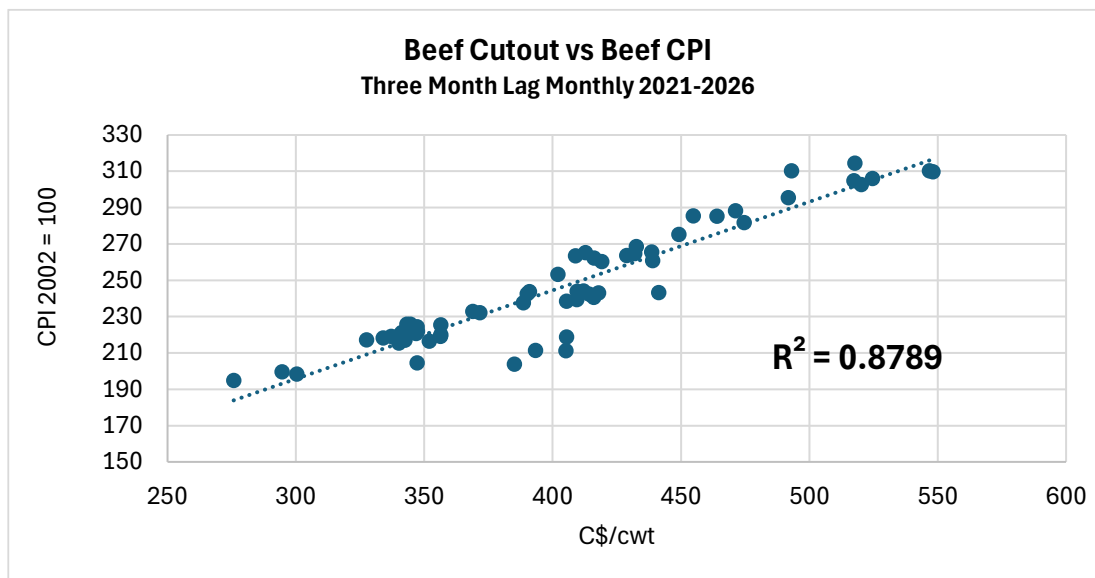
cost of a AAA or AA beef cut to a Canadian buyer is going to be very close to what is showing on the USDA beef reports for Choice or Select, in Canadian dollars.

The Cutout Drives Retail

The USDA Choice cutout averaged C\$515 in the first quarter this year. A Canadian retail grocery beef buyer would be paying the equivalent of \$515 to purchase US Choice or Canadian AAA product, give or take. In the first quarter of 2021, the same grocery beef buyer would have been paying C\$290. That is a grocer's cost increase of 77% or 13% points more than the consumer price of beef at the grocery store.

Based on that comparison, it looks like the consumer is getting a bargain! What it probably means is that the grocery store merchandising team has not been able to increase consumer prices fast enough to catch up to what their hard-pressed and much-maligned beef buyer has been forced to pay.

As can be seen on the graph below, the movement of the Canadian beef CPI can be in large measure explained by the direction of the cost of the cutout, lagged by three months.



The consumer price follows the packer price higher. The price of beef in the meat case today reflects the cost three months earlier, at least according to the statistics shown above. Other influences such as competition and retailer merchandising strategies, among other factors, also come into play in the retailer's beef pricing decision.

That implies, logically, that the big jump in the cutout in the first quarter this year, is going to be followed by higher consumer prices in Q2.

Beef Prices on the Flyer

StatsCan CPI provides an excellent snapshot of the direction, trends and magnitude of the price changes. The CPI data can be augmented by looking at grocery feature pricing. The prices of meat on the front page of the weekly grocery flyers provide another good perspective on meat prices. Looking at the feature prices provides a picture of the meat prices that represent the bulk of the volume that is sold to consumers. The front-page feature meat prices are the prices of the meat that consumers are buying. The front page shows the prices that grocers believe are necessary to attract consumers.

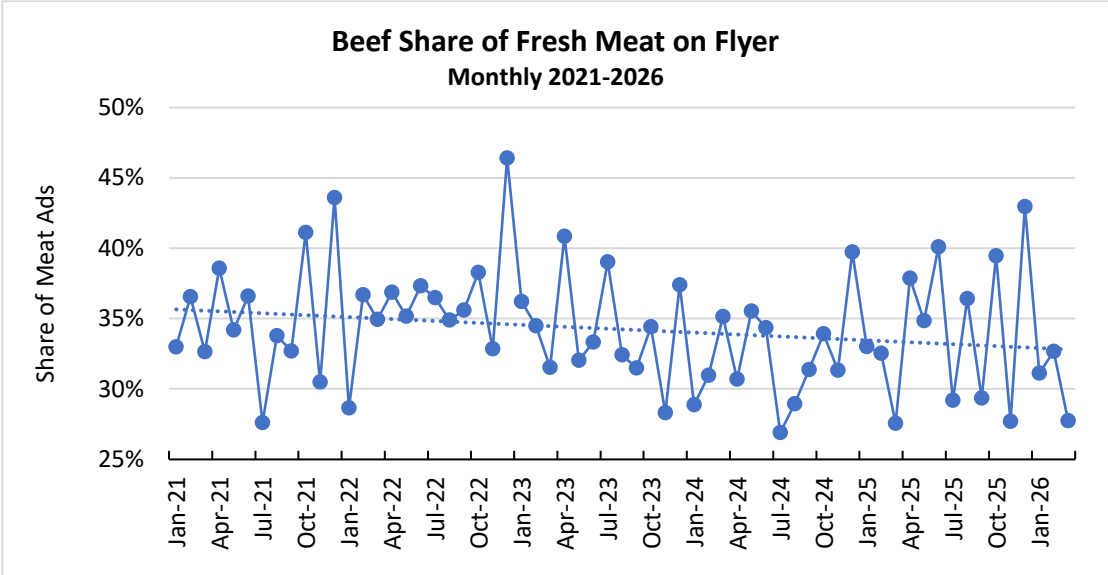
I collect fresh meat prices on the front page of 25 Canadian flyers across the country.

As noted above, features provide a picture of the meat prices that represent the bulk of the volume that is sold to consumers. An attractively priced meat ad on the front page of a flyer can increase tonnage movement by three or four times (or much more) the normal movement. An attractively priced meat ad can represent three quarters of the volume of the species for a given week. For example, a deep discount price on pork chops or boneless breast on the front page of the weekly flyer could generate 4 or even 10 times the volume that it normally does when it is not on ad. That deeply discounted pork chop could represent 75% of all pork sales that week. The front page of the flyer is very important real estate for the entire meat industry.

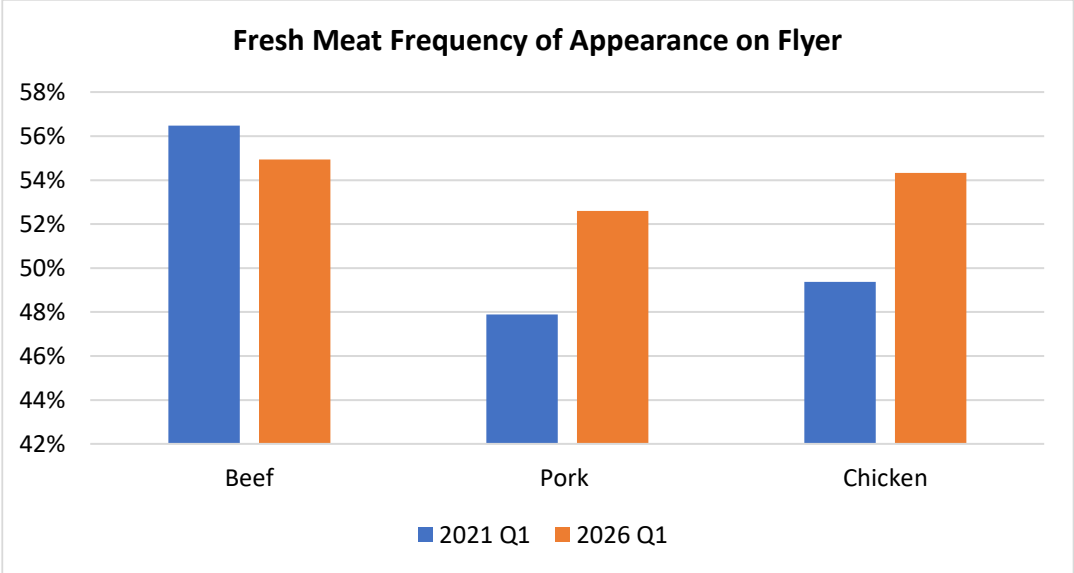
The price trend of the surveyed retail beef, pork, and chicken items on the front page of Canadian flyers between Q1 2021 and Q1 2026 provides a fascinating picture. Over that period, between 2021 and 2026, the prices of all selected beef cuts increased 52%. That is less than the 64% increase in the overall beef CPI. Retailers sharpened their pencils for the front page. Of course, different cuts had different rates of increase. For example, striploin increased 35% while the price of inside round doubled. Selected pork cuts only increased by 12%. Back ribs did not increase at all, and combo chops increased 35%. The surveyed, chicken items featured on the front pages of Canadian flyers increased by 40%.

Beef's Share of the Flyer

Given the dramatic increase in beef costs, it is not surprising that beef's share of fresh meat features on the front page of flyers has declined over the years. What is surprising is that the beef share declined so little. In Q1 2021, beef represented 34% of the fresh meat features on the front page. In 2026 the share was 31%. The trend line is lower, but not dramatic. Chicken also declined from 34% to 31%. Chicken was in short supply and expensive last year so grocers cut back on merchandising it. Pork's share increased from 30% to 32%. Grocers turned to pork to get a low-priced item on the front page.



Another way of looking at the flyer is the frequency of appearance. Frequency of appearance is a measure of the number of times that beef, pork, or chicken appeared at least one time on the front page of the 25 flyers during the month. In any given week, beef or pork or chicken could be on from zero flyers to all 25 surveyed flyers. Frequency of appearance is expressed as a percentage of the total 25 flyer sample for the total weeks of the month. In the first quarter of 2021 beef was on 56% of flyer front pages. By Q1 2026 that frequency had dropped just one percentage point to 55% of flyers having at least one beef item on it. Pork went from 48% to 53% and chicken went from 49% of flyers to 54% of flyers. Grocers have only marginally cut back on beef showings while boosting the other two main meats.



All in all, it is a good news message for beef. Grocers want to keep beef on the front page of the flyer. They know it still draws traffic despite its high price. Beef remains central to grocery merchandising despite its cost increases. That is good news that is going to be needed, because based on the trend of the cutout in Q1, there is likely to be more consumer beef price increases coming soon.



Kevin Grier

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