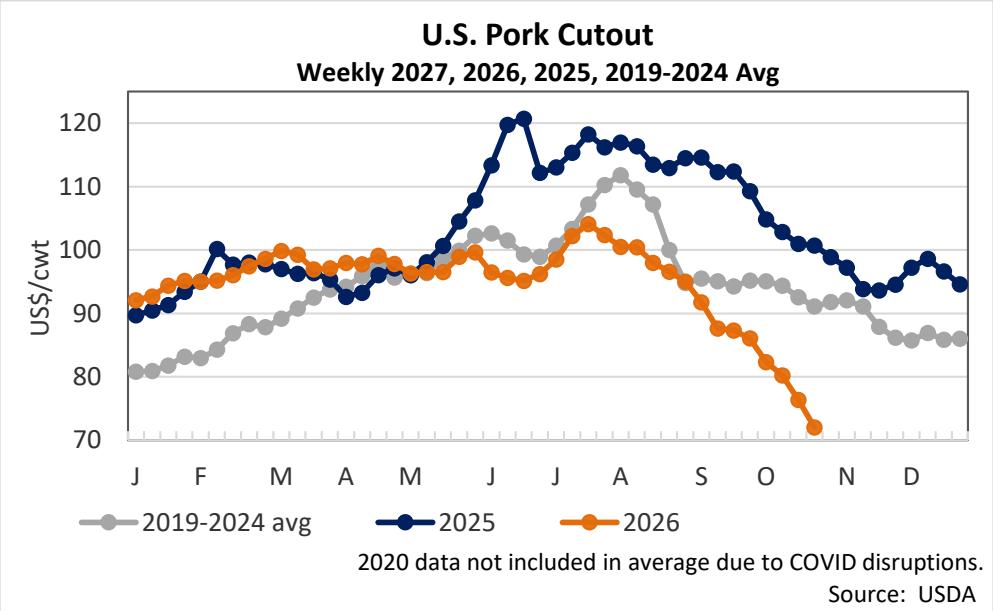
Make Informed Decisions

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Is Beef Going to Follow Pork?

As noted frequently, robust beef demand has been a key driver of the strong cattle prices. Pork demand, by contrast, has trended lower, with statistical measures showing month after month deterioration. The clearest indicator of this weakness is the performance of the pork cutout.

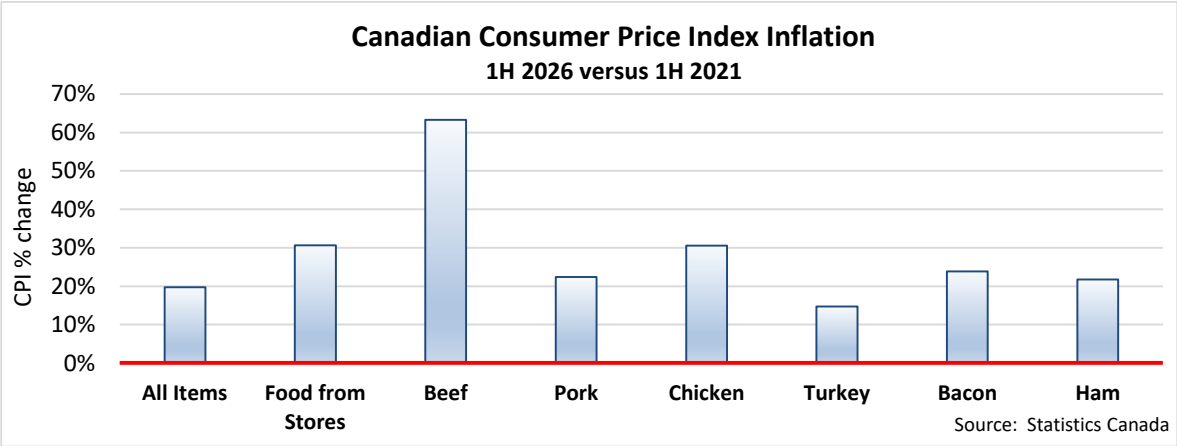


Can It Happen to Beef?

The pork cutout cannot find a bottom. During late October/early November, the cutout averaged 26% below last year and 19% below the 2019-2024 average. Cattle traders are therefore asking: If this can happen to pork, why could it not happen to beef?

The answer is that it can happen to beef, obviously, but the real question is what the likelihood of it happening to beef. The answer is: not very likely, given the varying price and demand paths that beef and pork, as well as chicken have been taking.

First, consider consumer prices. The first half of 2021 provides a useful benchmark because it marked the starting point for the inflationary surge that continues to affect consumers.

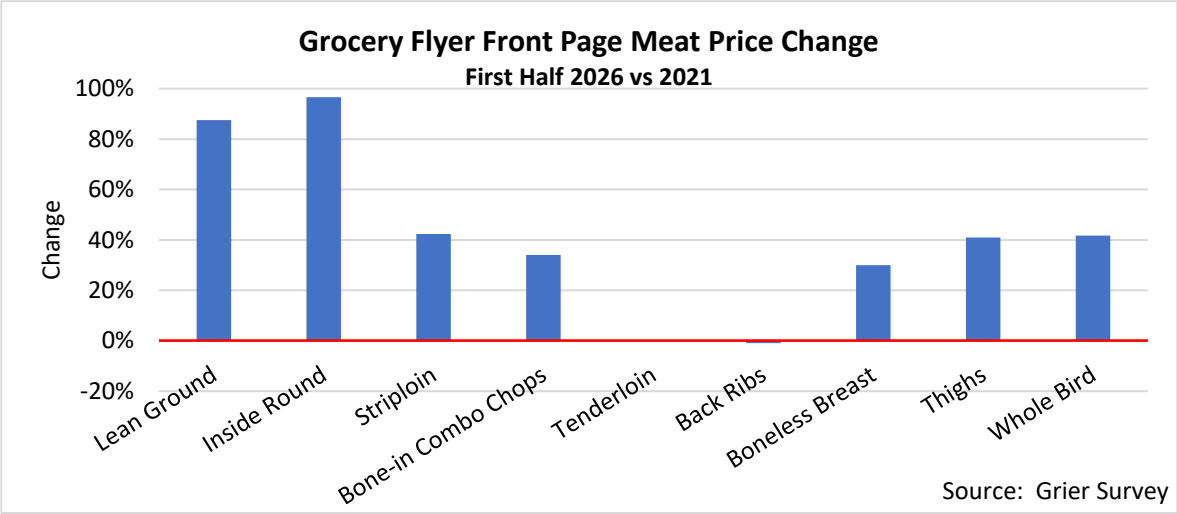


From the first half of 2021 through the first half of 2026, the Statistics Canada Consumer Price Index (CPI) for all goods and services increased about 20%. Over the same period, consumer beef prices increased by more than 60% and chicken prices increased 30%. Fresh pork prices increased 22%, bacon prices 24%, and ham prices 22%. The message is clear: beef prices increased nearly three times as much as fresh pork prices.

Flyer Prices Reinforce the Message

The CPI provides an excellent measure of the direction and magnitude of price changes. As noted here previously, the prices of meat on the front page of the weekly grocery flyers provide another perspective on meat prices: 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, within the confines of the meat cost.

Front-page flyer prices show an even sharper—and for pork industry more troubling--contrast with beef. From the first half of 2021 through the first half of 2026, feature prices of key chicken items—boneless breasts, thighs, and whole birds--increased about 30-40%. Prices of common beef items have gone up 40% to nearly 100%, while pork tenderloin and back-rib prices were unchanged and bone-in chops increased 34%. The latter was likely because the starting point in 2021 was barely over $2/pound, which gave the retailers considerable room to raise prices.

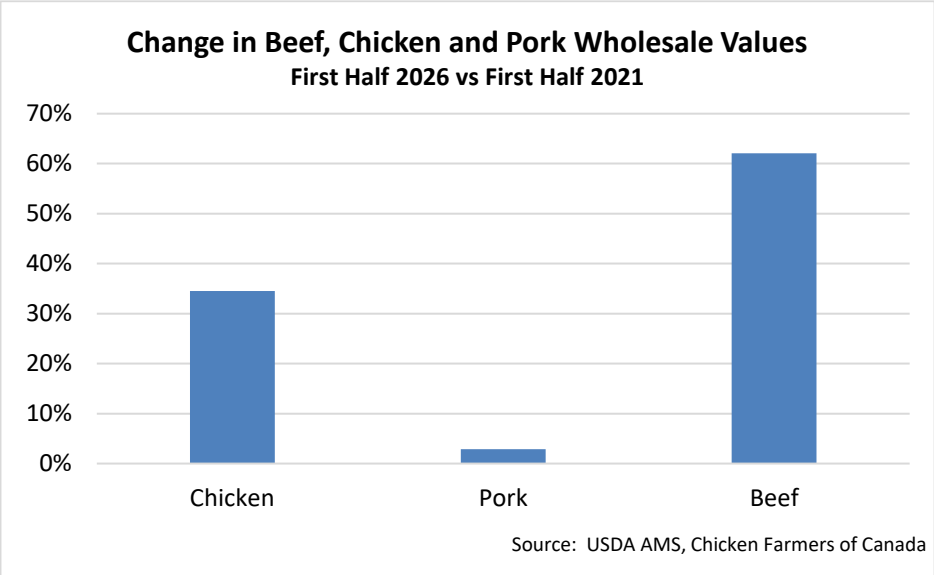


The main message of the above discussion is whether measures by the CPI or the flyer prices, pork is a clear outlier. Given the scale and duration of its divergence from beef, it is difficult to conclude that beef will follow the same path.

Cutouts Reinforce the Message

The other comparison of note is the cutouts. Of course, there is no publicly reported Canadian beef or pork cutout. It is safe to say, however, that the USDA cutout, converted to C$, should reasonably reflect Canadian beef and pork cut values. That is because of the open border in beef trade and pork trade. It is also because both buyers and sellers in Canada use the USDA values as either a guide or a tool for trading. Canadian chicken cutout values utilized here are published by the Chicken Farmers of Canada.

Using these measures, beef cutout values in the first half of 2026 were more than 60% above the first half of 2021. That increase is roughly the same as the increase in the beef CPI. This suggests that retailers raised their prices in line with higher costs. The Canadian chicken cutout increases about 35% over that same period. Once again that increase is like the increase in the chicken CPI. By contrast, the pork cutout increased only 3%. The divergence was even greater in the third quarter of 2026, when the pork cutout was 7% below third quarter of 2021. That result is a clear sign that pork has a market problem.



Beef Demand Forecast

The beef cutout could weaken like pork's, but that outcome appears unlikely. Pork has unique demand-related challenges that are not shared with either chicken or beef. The more relevant question is whether beef demand can continue to exceed year ago-levels as it has month after month in recent years. Nobody knows that. My demand assumptions for my forecasts are that demand will not exceed the soaring levels of the first half of this year. I use a demand factor that is like levels seen in 2024-2026. That is excellent demand, but not increasing demand.



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