

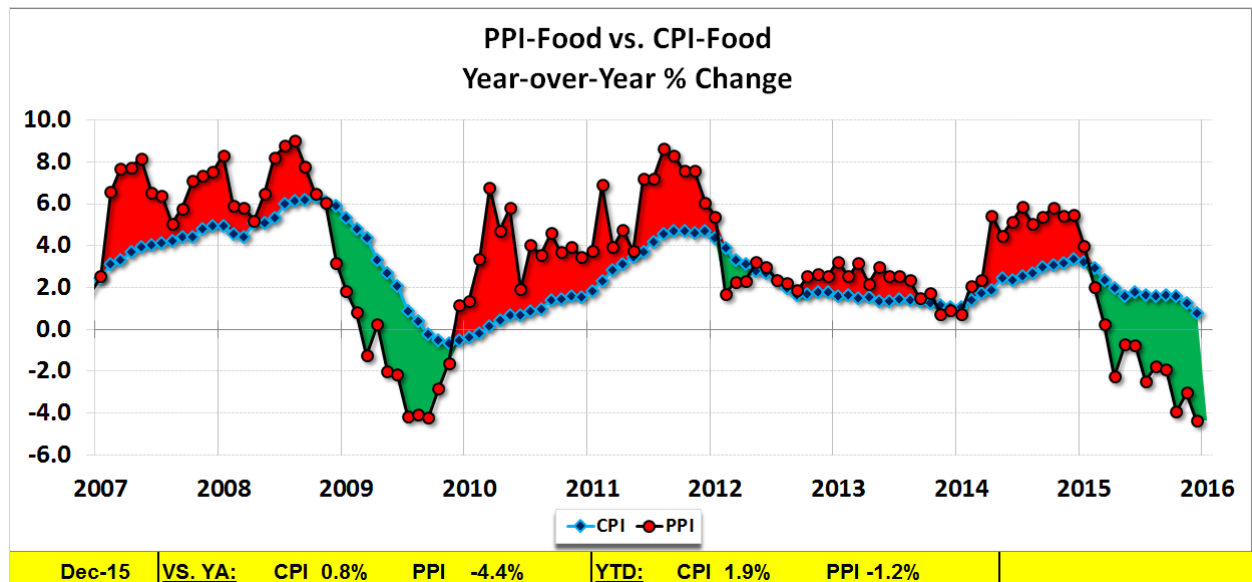
December 2015 Food Price Trends

- CPI-Food gained 0.8% (vs. YA) during December; PPI-Food declined by 4.4% (vs. YA)
- Underlying commodity prices are soft, with the AES index off 15% from year ago levels
- World Food Price index off 17% from a year ago, at lowest level since 2009
- Chinese consumer food prices accelerated slightly during December, gaining 2.7%

This report outlines trends in the inflation rate for food prices. It is broken out into a description of consumer food prices (CPI-Food), wholesale food prices (PPI-Food), as well as the underlying commodity prices driving food prices (the AES Food Input Cost Index).

Additionally, a recap of global food prices (UN Global Food Price Index) is included. Finally, the report concludes with a brief description of inflation trends in China.

The chart below compares year-over-year changes in the PPI-Food (red dots), with CPI-Food (blue diamonds). For the past eleven months, the CPI-Food has recorded larger gains than the PPI-Food. With the PPI-Food running below the CPI-Food (green area), the food industry is currently experiencing a significant tailwind with regard to input costs.

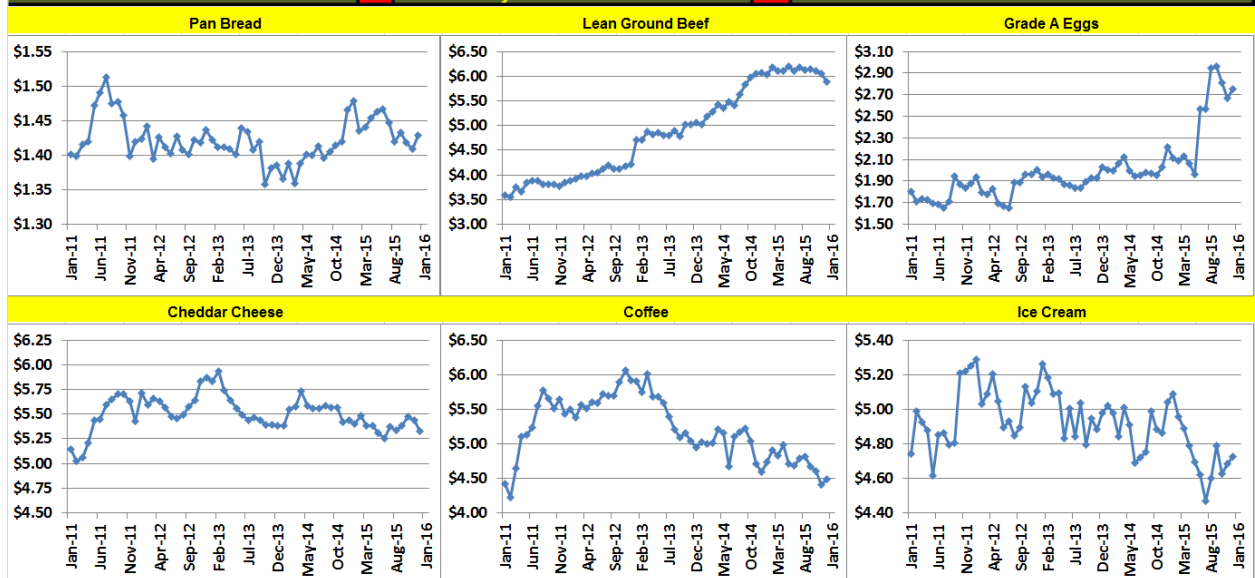


CPI-Food - The government reported December consumer food prices (CPI-Food) rose by a modest 0.8% from a year earlier. The CPI for at-home food prices declined by 0.5% from year-ago levels, while away from home prices gained a modest 2.6%. Gains in consumer food prices made a near-term peak during late 2014, and have slowly decelerated over the past year.

Sharp increases in the price of Grade A eggs (+24%) and lettuce (+34%) are the anomalies among consumer food price changes. Beef price gains continue to moderate, now 4% lower than a year earlier. Pork, fish and dairy prices are now running more than 3% below year ago levels. With the PPI-Food now recording year-over-year declines, food inflation at the consumer level (CPI-Food) should remain modest through much of 2016.

(The BLS provides detail regarding the actual average price paid for a variety of items. A few of these items are detailed on the right side of the table, and in the graphs below.)

CPI-Food Detail:		December-15			
	% Change Year Ago		% Change Year Ago	Actual Price Data	% Change Year Ago
Total CPI - Food	0.8%				
Cereals/ Bakery	1.0%	Fats and Oils	-0.6%	Ground Beef	\$5.89 -3%
Bread	0.6%	Sugars/Sweets	2.6%	Pan Bread	\$1.43 -3%
Breakfast Cereal	0.2%	Salad Dressing	1.6%	Grade A Eggs	\$2.75 24%
Rice	-1.3%	Soups	1.5%	Whole Milk	\$3.31 -13%
Beef	-4.3%	Dairy	-3.9%	Cheddar Cheese	\$5.33 -2%
Pork	-7.1%	Eggs	14.8%	Ice Cream	\$4.73 -6%
Chicken	-3.1%	Fruits/Veg.	0.5%	Grapes	\$2.83 -4%
Turkey	2.0%	Beer	1.6%	Lettuce	\$1.48 34%
Fish	-3.4%	Coffee	-1.5%	Coffee	\$4.49 -2%
Food At Home	-0.5%	Food Away F. Home	2.6%		



PPI –Food: During December, the index of wholesale food costs declined by 4.4% from a year ago, the largest decline since August 1976. Excluding fruits and vegetables, the index was 5.5% below year ago levels. Although not precisely correlated with changes in the AES food input cost (commodity) index, the PPI-Food is following a similar (but lagged) downward path.

The fall in the wholesale food price index was driven by double-digit declines in the price of shrimp, beef, pork and chicken. By contrast, adverse weather has led to a sizable gain in the wholesale cost of fresh vegetables. Liquid egg prices remain extremely volatile – off 35% between November and December.

With commodity markets generally remaining under pressure, the PPI-Food is expected to remain below year ago levels during 2016.

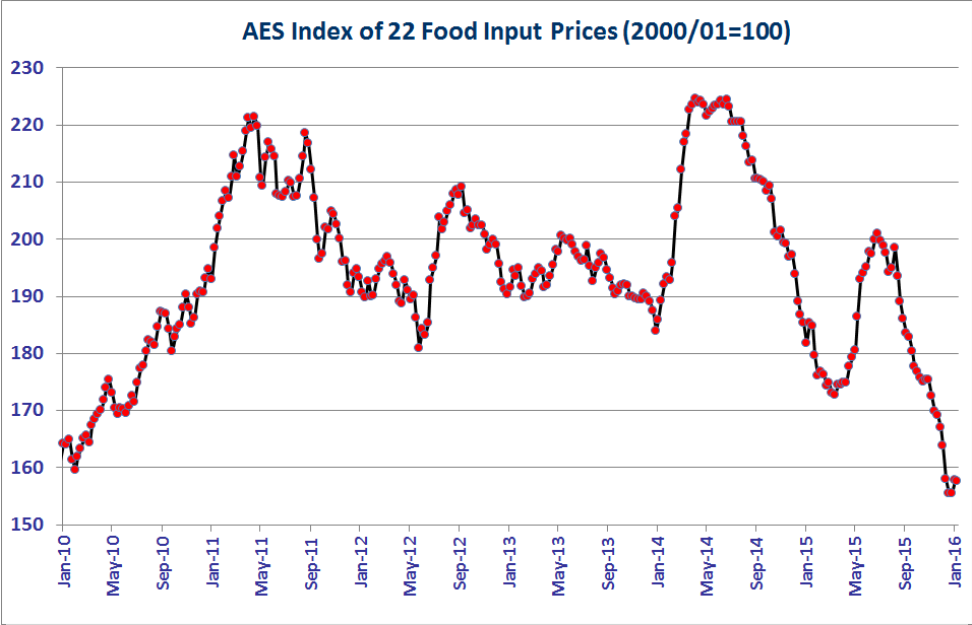
PPI-Food Detail:			December-15		
	% Change From Last Month	% Change From Year Ago		% Change From Last Month	% Change From Year Ago
Total PPI - Food	-1.5%	-4.4%			
Beef	-13.2%	-22.0%	Bakery Goods	-0.2%	1.0%
Pork	-4.1%	-19.5%	Vegoil	-0.7%	-5.3%
Chicken	-1.8%	-10.9%	Milled Rice	-0.2%	-6.0%
Turkey	0.5%	0.4%	Wheat Flour	1.3%	-7.8%
Fish	0.8%	-5.8%	Pasta	-2.4%	2.9%
Dairy	-1.3%	-7.7%	Confectionary Items	-0.3%	0.8%
Liquid Eggs	-34.5%	3.4%	Refined Sugar	-0.2%	-1.5%
Fresh Vegetables	17.3%	16.5%	Coffee	1.1%	-3.0%
Fresh Fruits	-5.2%	3.8%	Barley Malt	-0.2%	-2.4%
Processed Fruit/Veg	-0.3%	1.0%	Soft Drinks	N/A	N/A
Processed Seafood	0.8%	-5.8%	Nuts/Seeds	-1.1%	2.1%
Shrimp	13.1%	-30.1%	French Fries	0.1%	0.9%
PPI-Food excluding Fruit & Vegetables	-2.1%	-5.5%			

Commodity Price Trends -- The table below provides commodity price information as of January 18, 2016, along with historic comparisons. This gives an indication of commodity price trends, both short-term and longer-term. The AES index represents a weighted average of the items listed below, indexed to 2000=100.

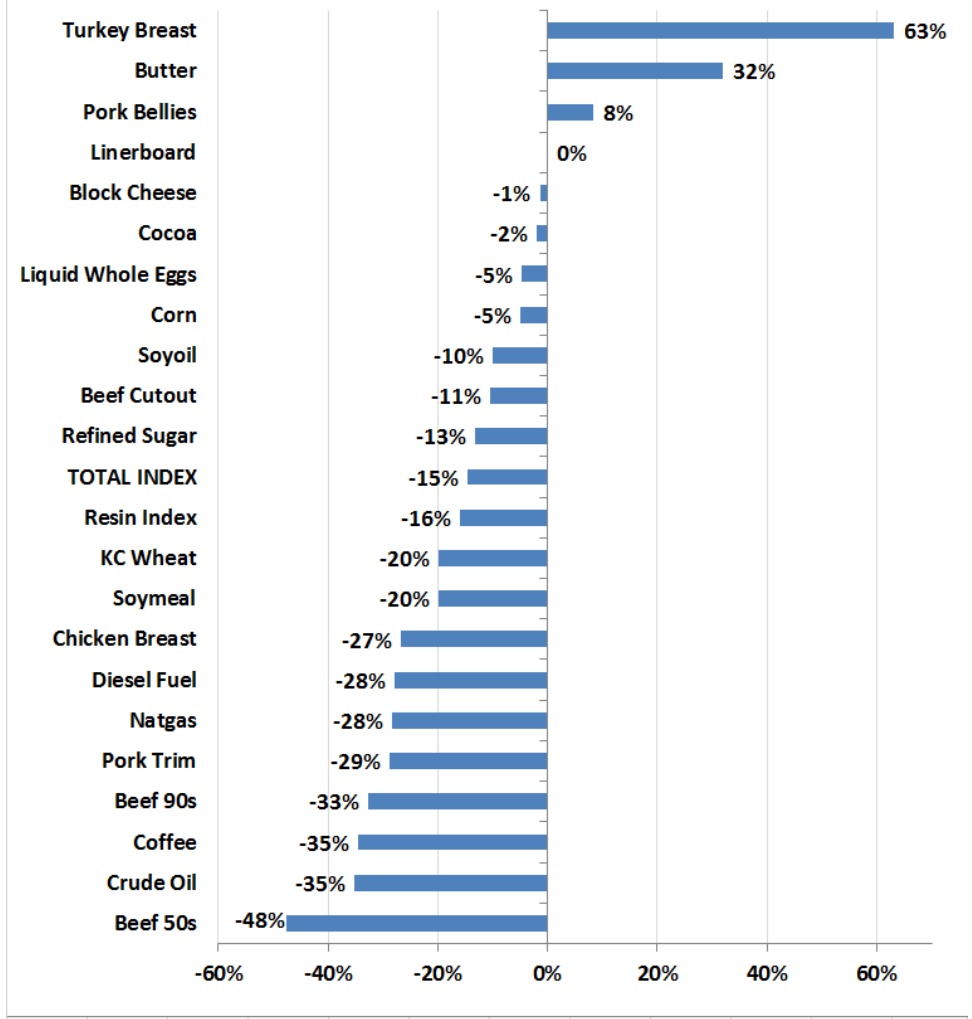
As of 1/18/16, the AES Food Input Cost Index remains well below year ago levels (-15%), and is now at the lowest point since November 2009. Eighteen of 22 commodities tracked are below year ago levels. The volatile 50% lean beef trimmings market is now 48% below year ago levels, while turkey breast meat prices remain very strong, up 63% from a year ago.

The index will likely remain volatile, and could have additional downside if macro factors continue to play out (further strengthening of the US dollar, Chinese devaluation). Until weather events drive markets higher, the upside for commodity prices will be limited.

AES Food Input Cost Index						
		This Week	Last Month	6 Months Ago	Year Ago	2 Years Ago
		1/18/16	12/21/15	7/20/15	1/19/15	1/20/14
TOTAL INDEX	(2000=100)	157.7	155.4	197.6	184.7	192.1
Corn	Cents / Bu	368	372	405	387	429
Soymeal	\$/Ton	271	279	356	339	431
KC Wheat	Cents / Bu	473	474	526	591	632
Soyoil	Cents / Lb	30.0	30.8	31.7	33.4	37.1
Chicken Breast	Cents / Lb	109	109	131	149	133
Beef Cutout	Cents / Lb	230	194	194	257	238
Beef 50s	Cents / Lb	77	44	69	147	116
Beef 90s	Cents / Lb	206	196	292	306	224
Pork Bellies	Cents / Lb	117	107	143	108	115
Pork Trim	Cents / Lb	49	33	70	68	73
Turkey Breast	Cents / Lb	561	565	536	344	216
Coffee	Cents / Lb	116	118	127	177	115
Cocoa	\$/Tonne	2934	3239	3353	2994	2697
Refined Sugar	Cents / Lb	33.0	33.0	35.5	38.0	27.0
Liquid Whole Eggs	Cents / Lb	51.5	53.3	215.0	54.0	63.0
Block Cheese	Cents / Lb	145	141	167	148	228
Butter	Cents / Lb	205	203	188	155	190
Crude Oil	\$/BB	29.5	36.8	49.4	45.6	97.3
Natgas	\$/MMBTU	2.14	2.23	2.91	2.99	4.73
Resin Index	(2000 =100)	212	220	243	252	268
Diesel Fuel	Cents / Gal	2.11	2.28	2.78	2.93	3.87
Linerboard	\$/ Ton	790	790	790	790	790

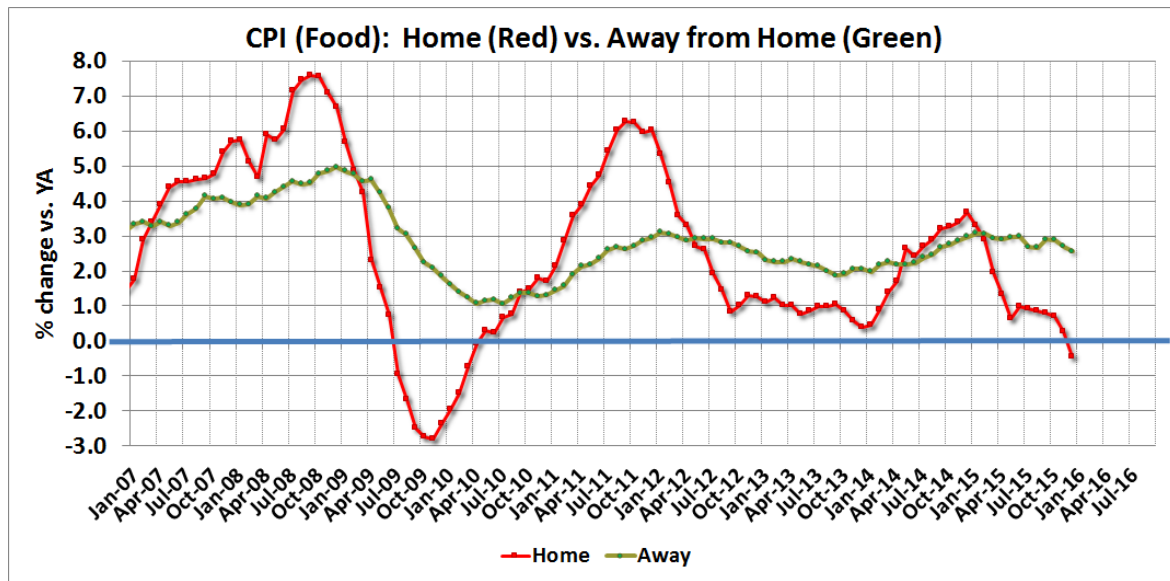


Commodity Price Changes (vs. YA) - as of: 1/18/16



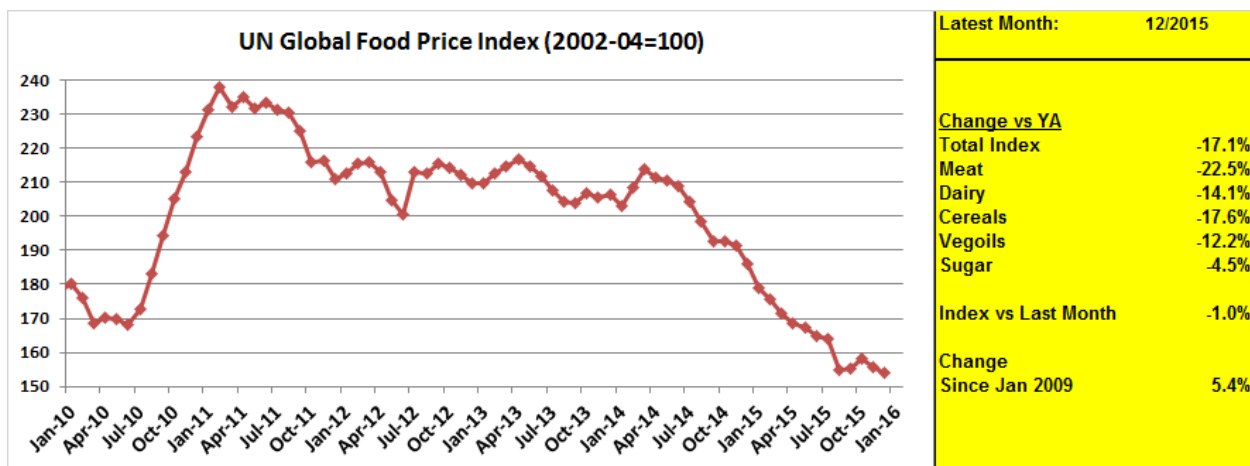
At-Home vs. Away-From-Home Consumer Food Prices

Consumer food prices at-home recorded a 0.5% decline from year ago levels during December, the first year-over-year decline since April 2010. Inflation in away-from-home food prices is easing as well, rising by a modest 2.6% (vs. YA) during December.



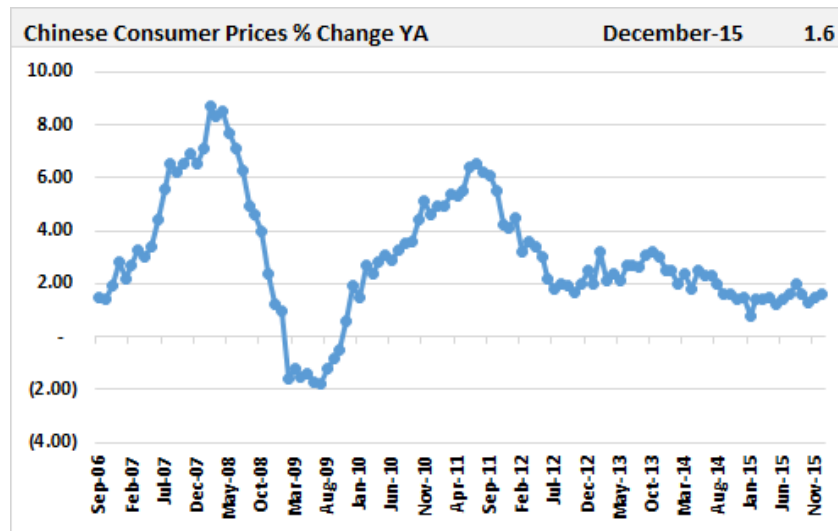
U.N. Global Food Price Index

The United Nations' monthly Global Food Consumer Price Index has retreated to its lowest level since July 2009. The overall index during December was 17% below year ago levels. As of December 2015, each category is below year ago levels, including 22% decline in the meat sub-index.



Chinese Inflation

Consumer prices in China remain in a 1.5-2.0% (year-over-year) range. During December, the CPI rose by 1.6% versus year ago. The lower rate of inflation, accompanied by slowing economic growth rates, has led the Chinese government to take three key actions: devaluing of the Yuan, lowering of government interest rates, and reductions in bank reserve requirements.



China's rate of consumer food inflation (vs. year ago) ticked up to +2.7%. Food inflation has been out-pacing the overall rate of inflation for the past 82 months.

