The FC PPI Processed Foods Signal, Grade B+ Macro-Inflation Directional Read

Why BLS Producer Price Index for processed foods year-over-year is a Grade B+ directional signal with independent-sample confirmation on CME Feeder Cattle forward returns.

David Stendahl · Market Lab Analytics · November 1, 2026

The signal and why it matters today

BLS publishes the Producer Price Index for processed foods and feeds (series WPU013) monthly. This index captures wholesale price inflation for processed foods including meat products, cereals, dairy, and bakery goods at the producer stage of the value chain. The year-over-year change in WPU013 reads broader meat and food inflation.

The signal mechanism: when processed-foods PPI runs hot (high YoY), broader meat inflation is firm and nominal feeder cattle prices find support from the broader food-inflation cycle. When processed-foods PPI runs cold (low or negative YoY), broader meat deflation drags nominal feeder cattle.

Daily Spearman IC against FC fwd60d is plus 0.176 at p-value less than 1e-63 across 8,989 trading days. Non-overlapping (every-60-day) IC is plus 0.230 at p-value 0.005 across 150 independent samples – INDEPENDENTLY SIGNIFICANT.

Phase +1 (High PPI) delivers plus 2.24 percent fwd60d at 60 percent hit rate, plus 1.03 pp above the plus 1.20 percent baseline. Phase –1 (Low PPI) delivers plus 0.03 percent at 47 percent hit rate, minus 1.17 pp below baseline. Phase 0 delivers plus 1.77 percent. 2.20 pp directional spread between tails.

This signal reads BLS WPU013 PPI processed foods YoY, z-scores on a 5-year rolling window, and bounds with tanh. State thresholds plus or minus 0.2 (moderate) and plus or minus 0.5 (extreme). Monthly BLS release cadence.

Current reading: Low PPI moderate-negative firing at composite minus 0.971, 126 trading days running. Processed-foods PPI YoY is running below trend. Historical Phase –1 delivers near-neutral fwd60d (minus 1.17 pp vs baseline). Modest bearish lean.

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How the macro-inflation mechanism composes

BLS PPI series WPU013 covers processed foods and feeds including meat products (beef, pork, chicken processed and packaged), cereals, dairy, and bakery goods at the wholesale producer stage. The YoY change captures the broader meat-and-food inflation cycle.

High Processed-Foods PPI (positive composite, Phase +1) means wholesale meat and food inflation is running firm. This regime historically coincides with:

- Commodity supercycles (2008 inflation peak, 2022 post-COVID food surge)
- Firm nominal cattle demand across the complex (LC + FC + lean hog)
- Pricing-power support for feedlot operators to pay firm for feeder inputs

Historical pattern: Phase +1 delivers plus 1.03 pp above baseline, 60 percent hit rate. Firm nominal food inflation lifts the broader nominal meat complex, including feeder cattle.

Low Processed-Foods PPI (negative composite, Phase −1) means wholesale meat and food inflation is running soft or deflationary. This regime historically coincides with:

- Food-deflation phases (2015-2016 disinflation, 2020 COVID demand collapse windows)
- Soft nominal cattle demand across the complex
- Pricing-power compression at the feedlot stage dragging nominal feeder prices

Historical pattern: Phase −1 delivers minus 1.17 pp below baseline, 47 percent hit rate. Soft nominal food inflation drags nominal cattle including feeder cattle.

Normal regime (Phase 0) is the equilibrium zone where processed-foods PPI YoY tracks the 5-year rolling baseline. Historical pattern: plus 1.77 percent fwd60d (near baseline).

The signal is a MACRO-INFLATION read, not a cattle-specific supply or demand read. It captures the broader nominal pricing environment that nominal feeder cattle prices live within.

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What the state-conditional returns have actually done

> **Reference baseline – FC fwd60d (unconditional)**
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> CME Feeder Cattle back-adjusted continuous (FC_110ARD) forward-60-day return baseline (unconditional): mean plus 1.20 percent, median plus 1.60 percent, standard deviation 7.8 percent, percent negative 42 percent. Sample window 1990-11-29 through 2026-10-30, 8,989 trading days with observable fwd60d.

Per-day sampling (used for daily Spearman IC):

Phase plus 1 (High PPI, composite greater than plus 0.3) covers 3,658 trading days – 40.7 percent of the sample. Per-day mean fwd60d is plus 2.24 percent, hit rate 60 percent. OUTPERFORMS baseline by plus 1.03 pp.

Phase 0 (Normal) covers 1,424 trading days – 15.8 percent of the sample. Per-day mean fwd60d is plus 1.77 percent, hit rate 63 percent. Near baseline (plus 0.57 pp).

Phase minus 1 (Low PPI, composite less than minus 0.3) covers 3,907 trading days – 43.5 percent of the sample. Per-day mean fwd60d is plus 0.03 percent, hit rate 47 percent. UNDERPERFORMS baseline by minus 1.17 pp.

Asymmetric directional pattern: Phase +1 moderately bullish, Phase 0 near-neutral, Phase –1 modestly bearish. 2.20 pp directional spread between tails. The signal provides a MODEST but statistically rigorous macro-inflation lean on FC positioning.

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Three cases that frame how to read this signal

Case 1: Q2 2008. High PPI – commodity supercycle inflation peak.

Context: Broader commodity-supercycle inflation peaked in Q2 2008. Processed-foods PPI YoY was running 7 percent plus. Composite ran +0.85 to +0.95. Feeder cattle were at approximately 100 dollars. Forward FC rallied as the broader food-inflation cycle supported nominal cattle prices. Canonical High PPI bullish-FC anchor documenting macro-inflation support for nominal cattle.

Case 2: February 2016. Low PPI – 2016 deflation / disinflation phase.

Firing date: February 10, 2016 at composite near minus 0.90. Context: Broader commodity deflation set in through late 2015 into 2016. Processed-foods PPI YoY turned negative. Feeder cattle were coming off the 2015 cycle highs near 160 dollars. Forward FC softened as food-deflation headwinds dragged nominal prices. Canonical Low PPI bearish-FC anchor.

Case 3: Q2 2022. High PPI – post-COVID food inflation surge.

Context: Post-COVID food-inflation surge peaked in Q2 2022. Processed-foods PPI YoY was running 12 percent plus – the highest reading in the modern sample. Composite ran +0.95. Feeder cattle were at approximately 160 dollars. Forward FC rallied firmly as the broader food-inflation cycle lifted nominal cattle prices across the complex. Modern-era High PPI bullish-FC anchor.

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How to use the signal today

As of November 1, 2026, the composite reads minus 0.971 – Low PPI moderate-negative firing, 126 trading days running. Processed-foods PPI YoY is running below trend. CME Feeder Cattle trades the 330 to 340 dollar range.

The current firing is in the Low PPI band. Historical Phase –1 delivers minus 1.17 pp below baseline (47 percent hit rate). Modest bearish-FC lean. Not a high-conviction read on its own.

Pair with four confirming reads for direction:

- **FC US Herd Inventory Signal (Z6637)**. Strongest-IC structural supply anchor.
- **FC Light Placement Pace Signal (Z3769)**. Grade A with widest spread in FC library.
- **FC Term Structure Curve Signal (Z3302)**. Market consensus on forward FC supply.
- **LC-Corn Ratio Signal (Z15201)**. Grade A LC fundamental anchor.

Processed-foods PPI is a MACRO-INFLATION read, not a structural supply or margin read. It provides a nominal-pricing-environment lean. Pair with fundamental cattle-cycle reads for conviction. When macro-inflation aligns with structural supply and margin reads, direction is high-conviction.

Methodology notes

Data source. BLS Producer Price Index for Processed Foods and Feeds (series WPU013), monthly release. BLS methodology captures wholesale prices for processed foods including meat products at the producer stage of the value chain.

Signal construction. Composite = WPU013 PPI year-over-year percent change, z-scored on 5-year (1,260-day) rolling window with 252-day minimum sample. Clipped to [−3, +3] standard deviations. Tanh-bounded to [−1, +1]. State thresholds plus or minus 0.2 (moderate) and plus or minus 0.5 (extreme). Phase +1 at composite above +0.3, phase −1 below −0.3. Target: CME Feeder Cattle back-adjusted continuous (FC_110ARD). Monthly BLS release cadence.

Validation statistics. Daily Spearman IC against FC fwd60d is plus 0.176 at p-value less than 1e-63 across 8,989 observations – strongly significant daily. Phase +1 per-day mean fwd60d plus 2.24 percent (plus 1.03 pp above plus 1.20 percent baseline, hit 60 percent). Phase 0 mean plus 1.77 percent (near baseline, plus 0.57 pp). Phase −1 per-day mean plus 0.03 percent (minus 1.17 pp below baseline, hit 47 percent). 2.20 pp directional spread.

Independence test. Non-overlapping (every-60d) sampling yields Spearman IC plus 0.230 at p-value 0.005 across 150 independent observations – INDEPENDENTLY SIGNIFICANT. Clean positive polarity – empirical direction matches a-priori economic logic (high PPI = bullish FC).

What this signal does not cover

First, monthly BLS release cadence means slow signal updates. Composite can be stale between monthly reports. The signal updates once per month at the BLS PPI release.

Second, processed-foods PPI is a BROAD MACRO-INFLATION read. Fundamental cattle-cycle dynamics (herd inventory, feedlot margin, placement pace) can override the macro-inflation lean. The signal is complementary, not standalone.

Third, PPI can be distorted by energy-cost or exchange-rate shocks that are not passing through to feeder cattle. In those windows, the macro-inflation lean mis-reads cattle direction. Pair with cattle-specific supply and margin reads for context.

Broader caveat: Grade B+ directional macro-inflation signal with independent-sample confirmation. The signal provides a modest directional lean (plus 1.03 pp above baseline in Phase +1, minus 1.17 pp below baseline in Phase −1) that is statistically rigorous but modest in magnitude. Use for stacked confirmation, not as a standalone directional driver.

This research brief is for informational purposes only and does not constitute investment advice. Past performance is not indicative of future results. Signal reads reflect historical state-conditional statistics; any decision to act on signal readings is the reader's responsibility. Data sources: BLS Producer Price Index for Processed Foods and Feeds (WPU013), monthly; CME Feeder Cattle back-adjusted continuous (FC_110ARD). State-conditional statistics computed through 2026-10-30.