

Beef Demand and Consumption

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This article will reach most peoples' mailbox or computer screen near the Independence Day holiday which happens to be on a Monday and results in a three day weekend for many. But, this brings to question, why more people in this country do not call Valentine's Day "February 14th," Halloween "October 31st," National Popcorn Day "January 19th," or National Talk like a Pirate Day "September 19th?" However, there are many people who call Independence Day "July 4th!" This is a question best left to those who specialize in video games and those who hunt for French fries between couch cushions. For the rest of the crew, it may be beneficial to define beef demand and beef consumption.

Sometime last year, Glynn Tonsor, agricultural economist at Kansas State University, wrote an article concerning beef demand and beef consumption. Dr. Tonsor used some tremendous points made by Wayne Purcell in 1998 in the article "A Primer on Beef Demand or To Fix it You have to Understand It." The following list contains the rules Dr. Purcell outlines in his manuscript.

- Per-capita consumption is not a measure of demand.
- Talking about "strong demand" when increased quantities are being taken at sharply lower prices is wrong and misleading.
- If demand is constant, the only way an increased per-capita supply will be taken by consumers is at lower prices.
- You cannot use high beef prices as a reason for weak beef demand since price is part of the demand schedule.
- If demand is decreasing, the only way to avoid losing market share is to reduce costs enough to keep the business viable.
- A prolonged period of decreasing demand for beef will eventually exceed even the most efficient producer's ability to cut costs.
- Significant changes in pork and chicken prices can and will shift beef demand from year to year and within the year.
- Changes in consumers' incomes are usually positive for beef demand, but rising incomes during the 1980s and 1990s have not offset other problems.
- The facts support a conclusion that, since 1979-80, consumers' preferences have turned away from beef as their needs and lifestyles have changed.
- If these pervasive problems are not fixed and the negative trend in beef demand isn't at least stopped, the beef sector will lose market share and will trend toward a smaller industry for the foreseeable future.
- It is time to do something, time to understand, time to get the product offering moved toward what the modern consumer wants and is willing to pay for.

First, it is important to note that beef demand was extremely weak when Dr. Purcell outlined the aforementioned thoughts while it is actually fairly strong today compared to previous years. Demand for beef was strong through the end of 2015 and the first quarter of 2016 was only slightly softer than the same quarter in 2015. The soft demand in the late 1990's can be seen in the accompanying chart. The main concern of the article was that producers and industry participants first have to understand what their target is before they can make changes to achieve goals.

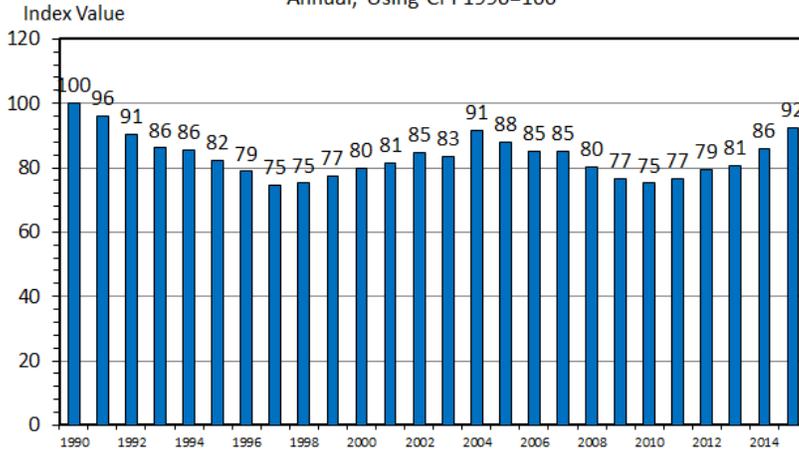
It is important to review the past in order to prepare for the future. The beef industry has made some significant changes over the past twenty years, but more changes are necessary to sustain beef demand. Consumers are the driving factor, and it is up to the industry to produce the product the consumer desires. Consumers value a high quality beef and the industry is delivering more Choice and Prime quality grade beef than it ever has. Consumers increasingly desire more information about their

foods. How can the beef industry address this issue? There has been increased concern from consumers about animal production practices including animal welfare and use of antibiotics. Could this factor into beef demand in the future, and how will the industry address these issues?

Only a few questions have been raised, but the daunting question is if beef demand will remain strong or will it wain in the next few years? Industry participants need to understand demand in order to contribute to sustained demand and stronger demand. If demand starts to falter, what changes will the industry make to reverse the trend? Closer to home, what changes will individual producers make, and who will be able to sustain a downturn in the market? The pondering of those questions is sure to bring smiles and overwhelming joy to all concerned.

RETAIL ALL FRESH BEEF DEMAND INDEX

Annual, Using CPI 1990=100



Data Source: Bureau of Labor Statistics, USDA-ERS, Compiled & Analysis by LMIC
Livestock Marketing Information Center