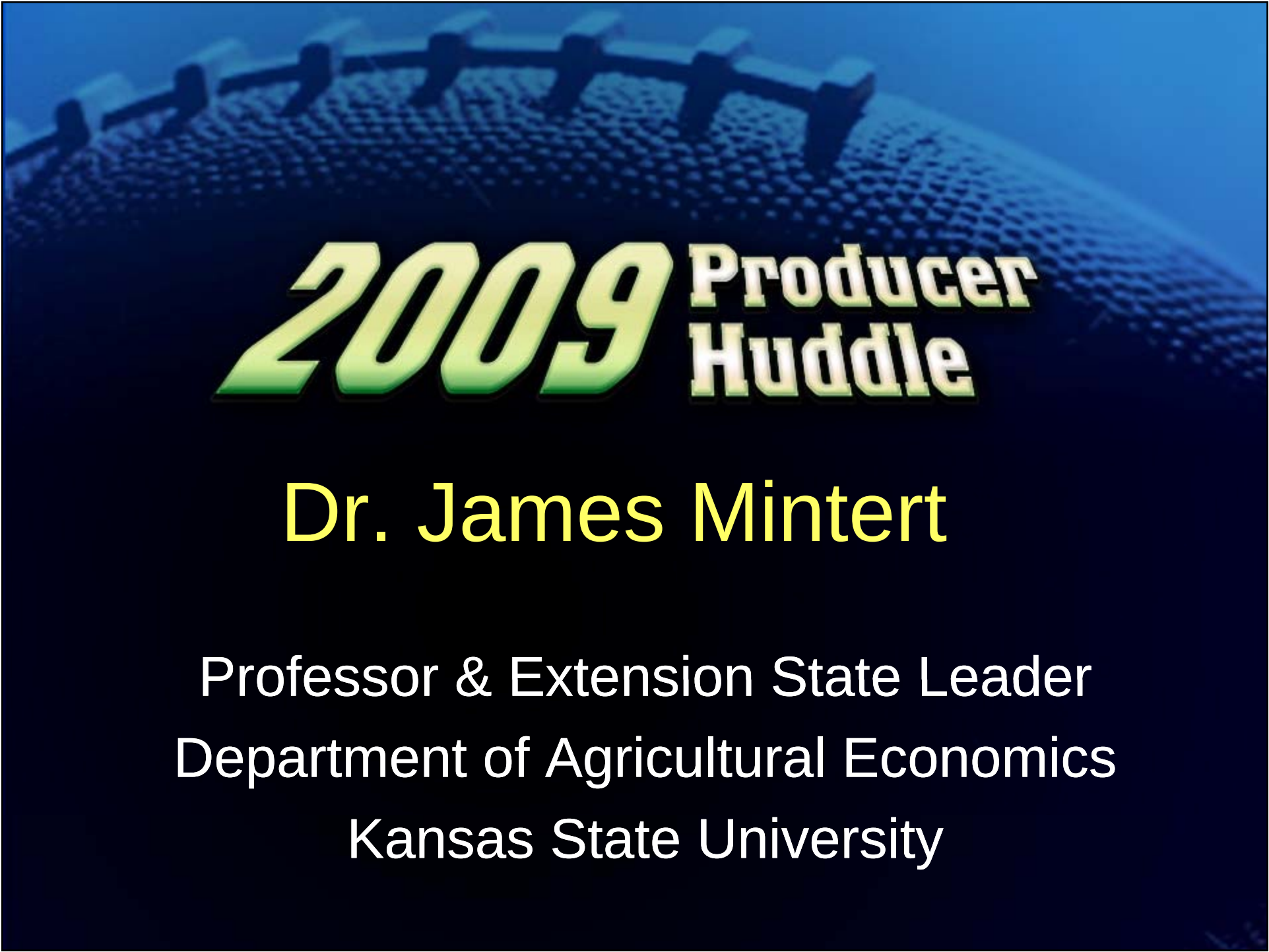




***2009* Producer Huddle**

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Beef Demand Determinants Project

Thanks to Supporters of this Research

Cattlemen's Beef Board 

&

Alabama Cattlemen's Association

Colorado Beef Council

Georgia Beef Board

Idaho Beef Council

Iowa Beef Industry Council

Mississippi Beef Council

Nebraska Beef Council

Oklahoma Beef Council

South Dakota Beef Industry Council

Texas Beef Council

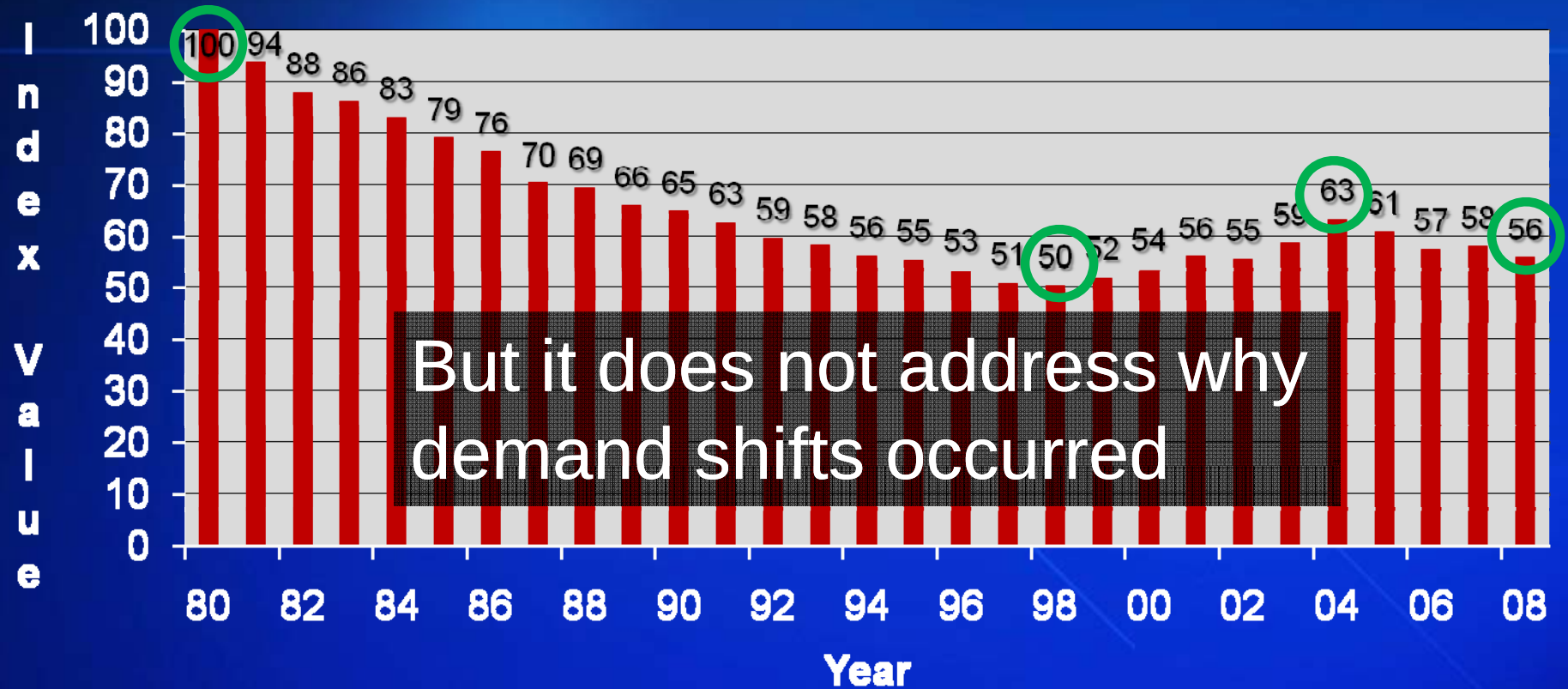
Wyoming Beef Council

Wisconsin Beef Council



Index Tracks Demand Changes

**Retail Choice Domestic Beef Demand Index
Annual, 1980-2008**



Source: USDA, Dept. of Commerce & James Mintert, K-State Dept. of Ag. Economics
Price Deflated By CPI, 1980 =100 for Choice Domestic Beef Demand Index



Beef Demand Determinants Project

Objectives

1. Quantify key factors leading to Beef Demand shifts over time
2. Use knowledge of the factors that have been impacting beef demand to guide future decision making



Beef Demand Factors Included in Analysis

- ✓ **beef price**
- ✓ **competing meat & other goods prices**
- ✓ **consumer expenditures**
- ✓ **food safety**
- ✓ **health**
- ✓ **nutrition**
- ✓ **convenience**



Research Results Are Summarized in K-State Fact Sheet on Beef Demand Drivers



U.S. Beef Demand Drivers and Enhancement Opportunities: A Research Summary

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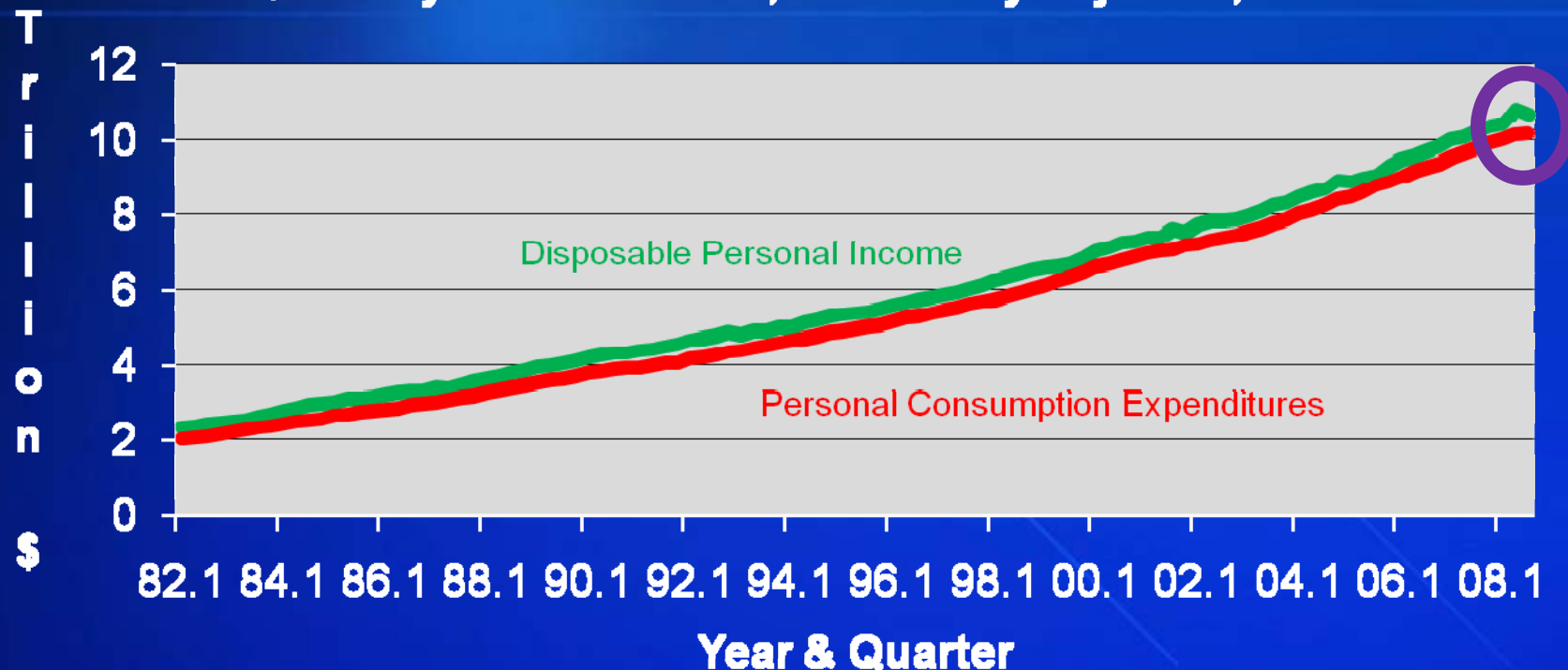


CONSUMER INCOMES & EXPENDITURES



Weaker Consumer Incomes Means Consumer Spending Will Decline

**Personal Disposable Income vs.
Personal Consumption Expenditures**
Quarterly at Annual Rate, Seasonally Adjusted, 1982-2008

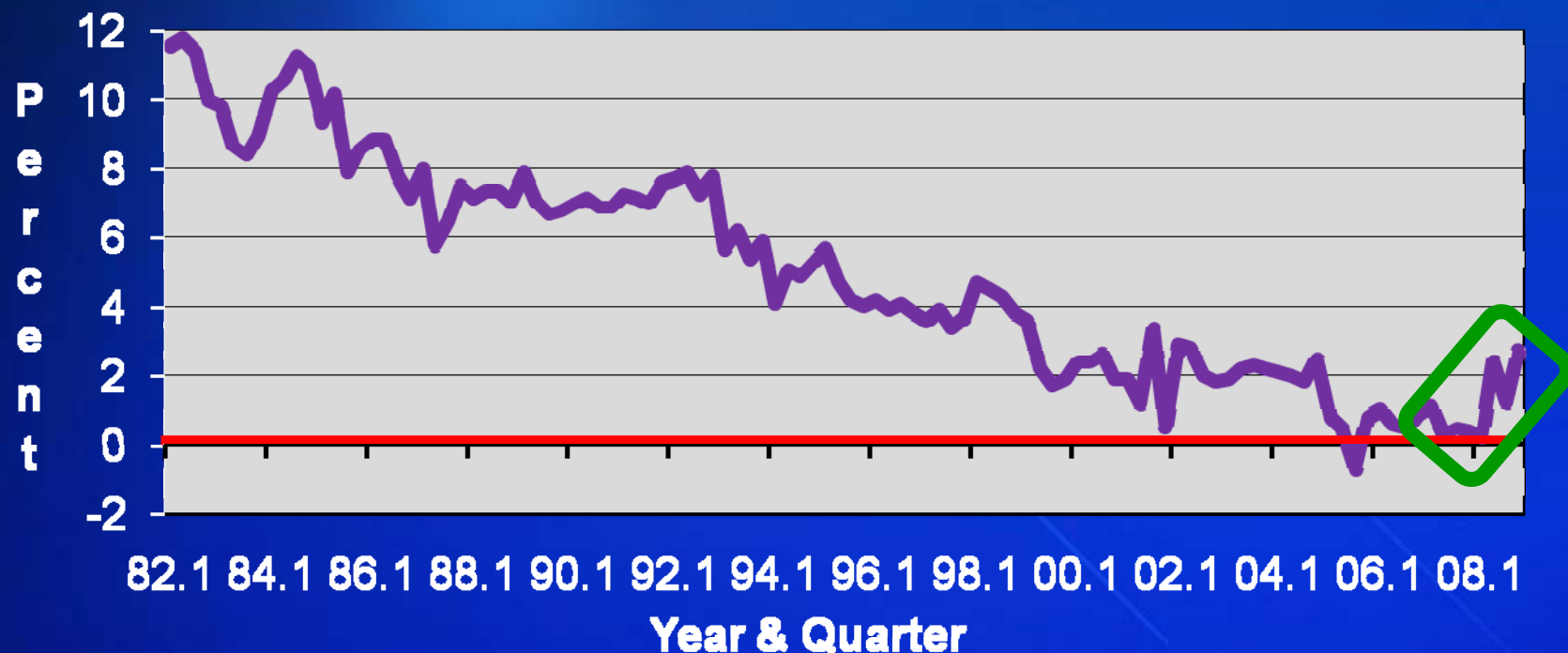


Source: Bureau of Economic Analysis



Consumers Pushing Savings Rate Back Up Which Will Also Hold Down Consumption

Personal Savings
% of Disposable Personal Income
Quarterly, 1982-2008



Source: Bureau of Economic Analysis



Beef demand responds to expenditures

1% increase in consumer expenditures leads to
0.91% increase in quantity demanded

Implications

beef demand benefited from

- Growth in U.S. economy & low savings rate
- But weak incomes in '09 will hurt beef demand

Near-term, impact of weak U.S. economy could
dominate all other forces affecting beef demand

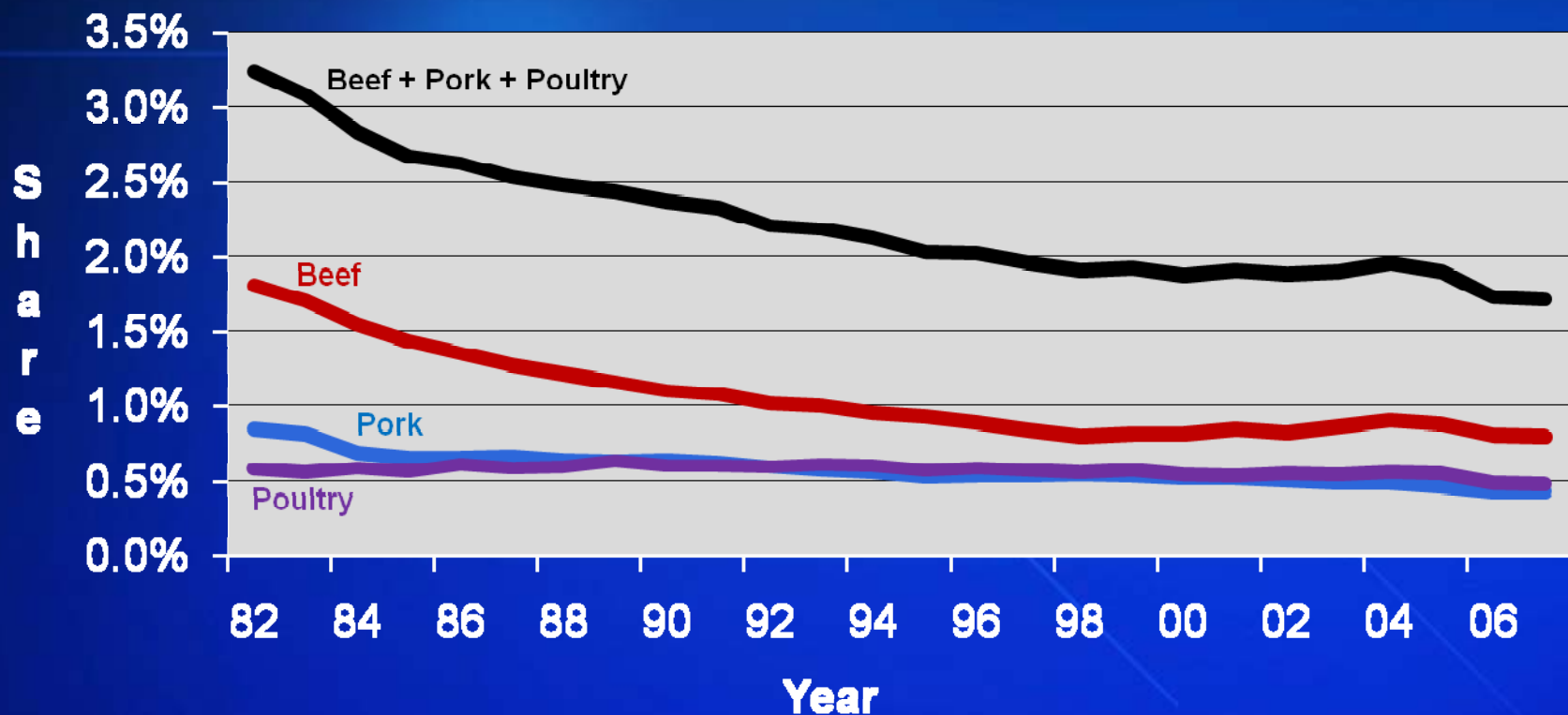


PRICE EFFECTS



Beef Expenditures Are Small Relative to Income

**Beef, Pork, and Poultry Expenditures
As a Percentage of Disposable Personal Income, 1982-2007**



Results – Price Effects

1% increase in beef price leads to a
0.42% decrease in quantity demanded

- ✓ Small response to pork & poultry prices

Implications

Emphasize product quality efforts

- Product quality research
- Beef Quality Assurance (BQA)

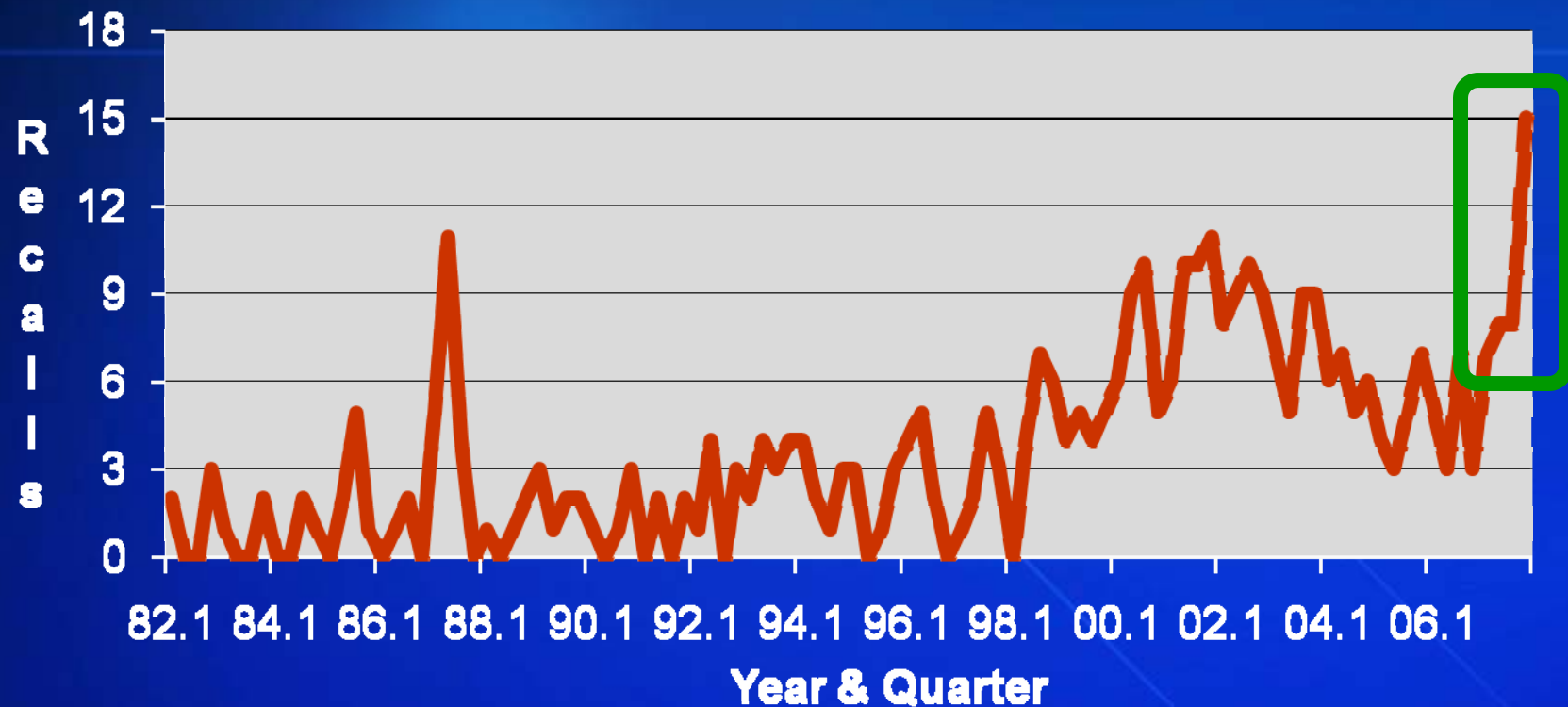


FOOD SAFETY



Beef Food Safety Recalls Increasing

Beef Food Safety Recalls
Class I & II Recalls, Quarterly, 1982-2007



Source: U.S. Food Safety Inspection Service



Results – Food Safety

Beef Demand declines as safety recalls increase

Two levels of impact

Current, plus1 & 2 quarter lagged responses

10% increase in beef recalls

0.2% decline in beef demand

Recalls responsible for approximately 2.6% decline in beef demand during 2007 vs. 2006



Results – Food Safety

Implications

- ✓ Consumers expect food to be safe
- ✓ Recent increase in recalls was large enough to have a significant impact on beef demand
 - Keep proactive food safety program

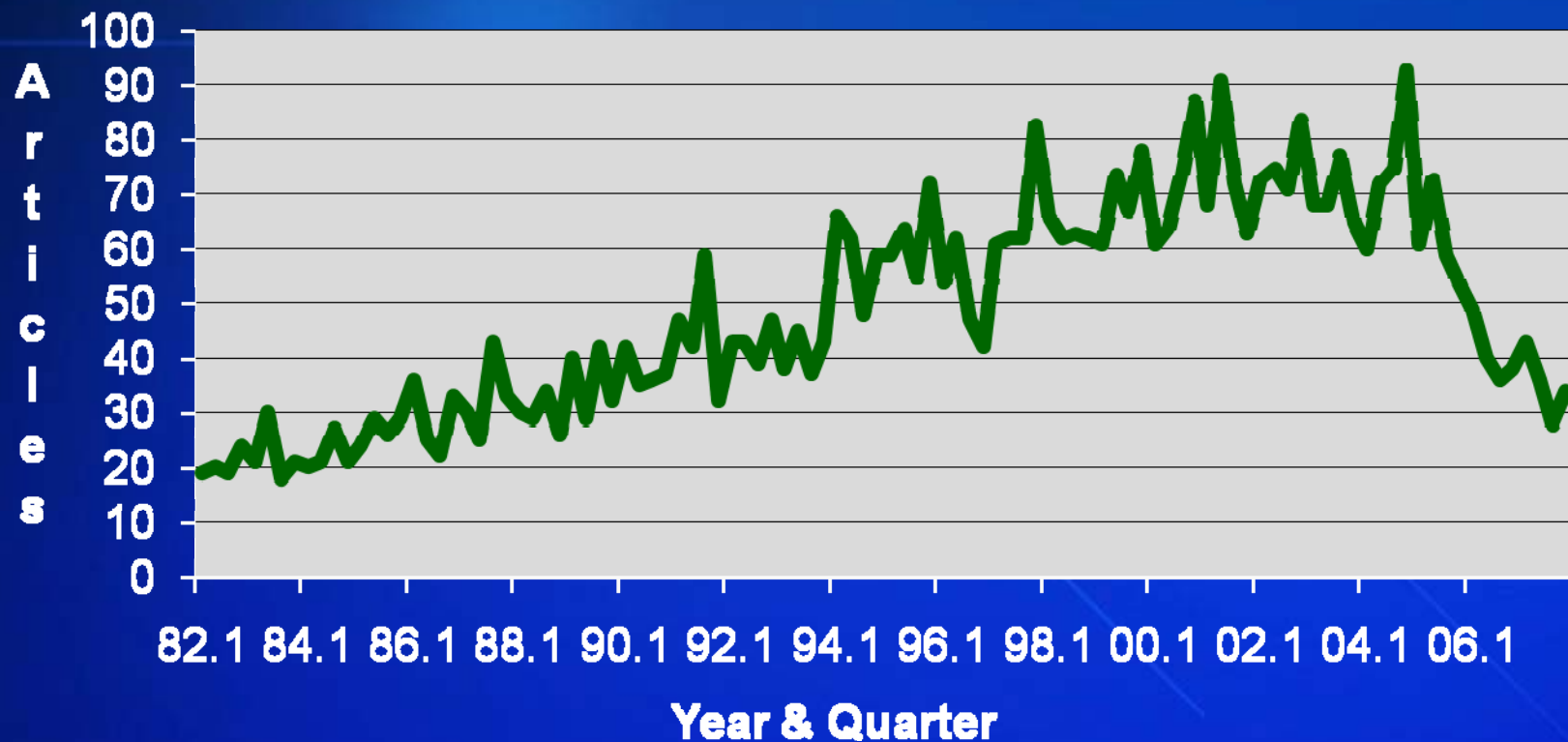


HEALTH INFORMATION



Medical Journal Info. on Heart Disease Peaked, But Still Having a Negative Effect

Articles Published Referencing Heart Disease & Diet
Medical Journals, Quarterly, 1982-2007



Results – Health Information

- ✓ Results indicate beef demand declines in response to information linking diet, fat, cholesterol & heart disease

10% increase in journal articles linking diet & disease

0.2% decline in beef demand

Comparing 2004 to 1982

- ✓ increase in articles linking diet, fat, cholesterol & heart disease explained a demand decline of about 9%



Results – Health Information

Implications

- ✓ Continue communicating beef's positives
- ✓ Emphasize beef's nutritional properties
 - Consumers
 - Health & nutrition professionals
- ✓ More research/communication on beef - heart disease link (or lack thereof)
- ✓ Continue to strive to produce healthy product

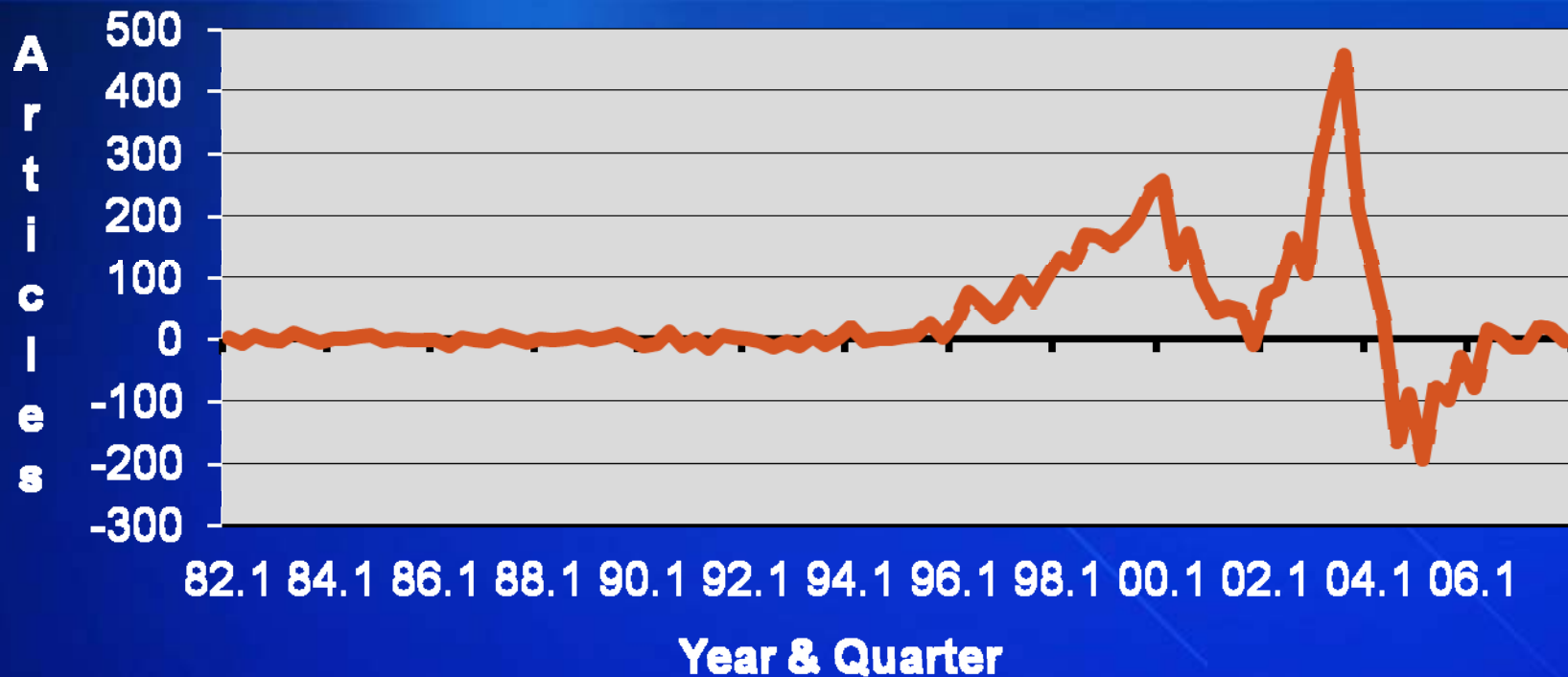


NUTRITION INFORMATION



Atkins Diet Did Boost Beef Demand But The Atkins Diet Fad Is Over

**Net Articles Published Referencing Atkins Diet
Positive Minus Negative Articles, U.S. Newspapers,
Quarterly, 1982-2007**



Results – Nutrition

Atkins-type diets supported Beef Demand

Doubling of net positive (positive minus negative) articles on Atkins Diet led to

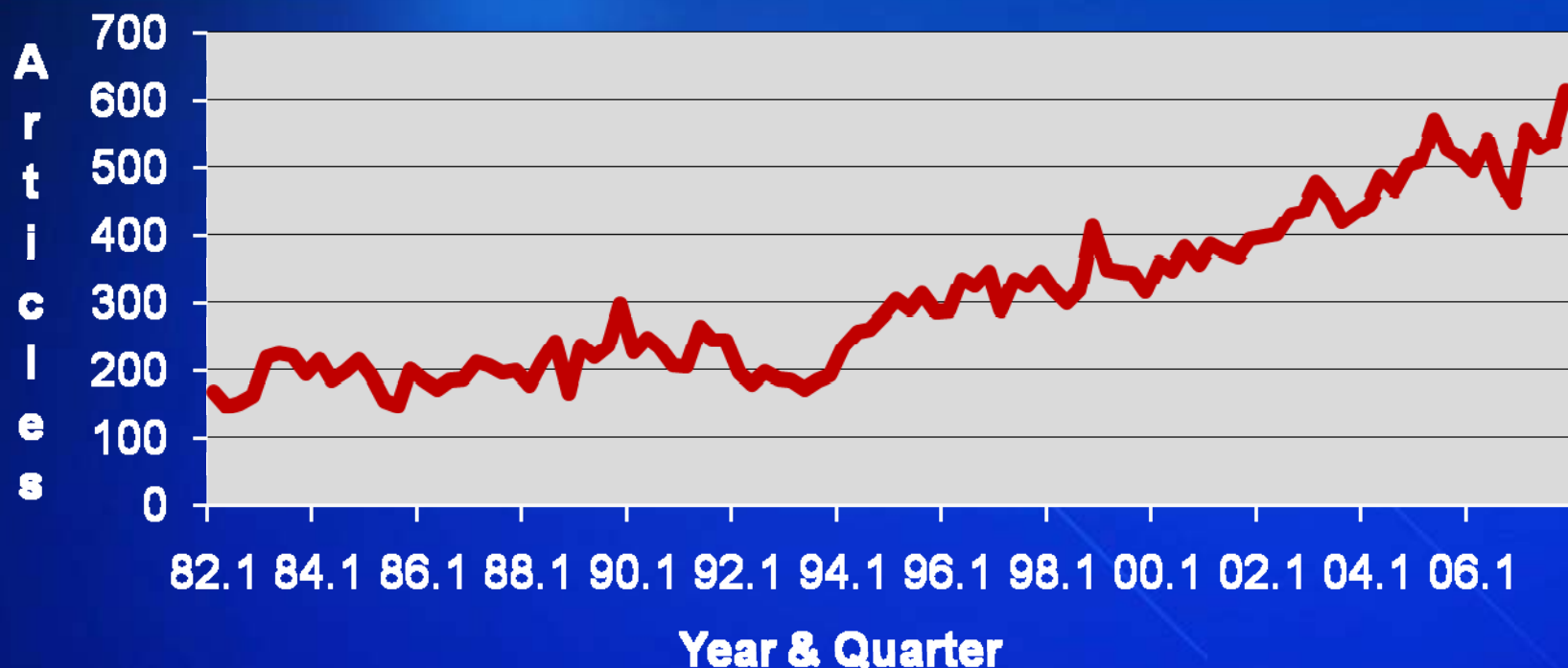
0.8% increase in beef demand

From 1998 to 2003, media information supporting Atkins-type diets boosted beef demand about 2%



Consumer Awareness About One of Beef's Positives Is Increasing

**Articles Published Referencing
Zinc or Iron or Protein & Diet
U.S. Newspapers, Quarterly, 1982-2007**



Results – Nutrition

- ✓ Beef Demand benefited from increasing consumer awareness of beef's nutritional benefits
- ✓ 10% increase in articles referencing Zinc, Iron, Protein & Diet led to
 - 0.25% increase in beef demand
- ✓ Articles in 2007 were up 268% compared to 1982, boosting beef demand about 7%



Results – Nutrition

Implications

- ✓ *Atkins* and *ZIP* (zinc, iron, protein) indices demonstrate power of “positive” information
- ✓ Industry needs to
 - Communicate how beef fits into a healthy lifestyle
 - Emphasize beef’s nutritional properties to Consumers and Health & Nutrition professionals
 - Conduct research on beef’s other nutritional benefits



CONVENIENCE



Female Employment Surged in '80's & 90's But Levelled Off Over the Last Decade

Percent of Females Employed Outside the Home
Quarterly, 1982-2007



Source: U.S. Department of Commerce



Results – Convenience

- ✓ Beef demand declined as female employment outside the home increased
- ✓ 1% increase in female employment outside home
-0.6% decline in beef demand

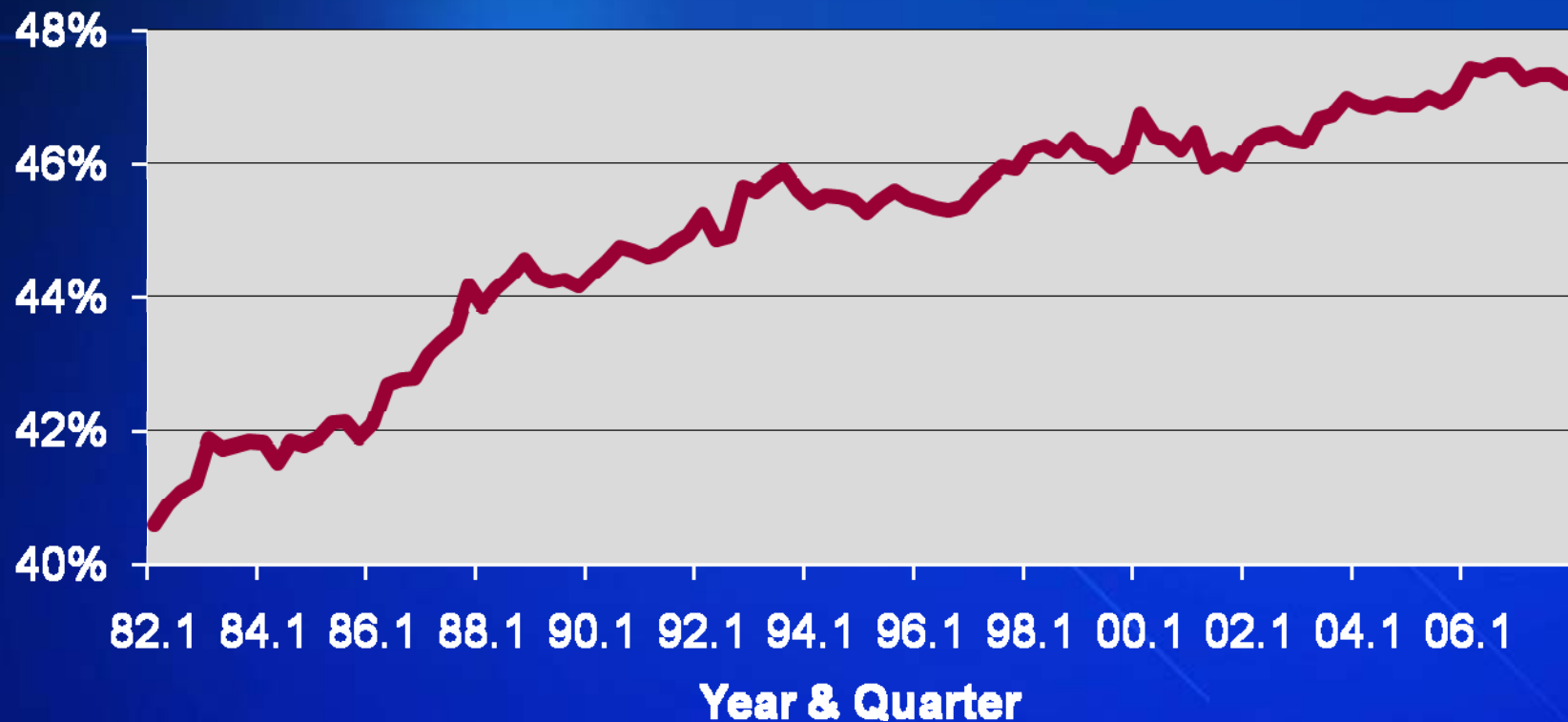
But

- ✓ +0.6% increase in poultry demand



Food Consumed Away from Home Increased But Leveled Off Recently

Percentage of Food Consumed Away From Home
Quarterly, 1982-2007



Source: U.S. Department of Commerce



Results – Convenience

- ✓ Beef demand declined as food consumed away from home increased
- ✓ 1% increase in food consumed away from home
1.6% decline in beef demand

But poultry and pork demand both benefitted

- ✓ 1.9% increase in poultry demand
- ✓ 1.8% increase in pork demand



Results – Convenience

Implications

- ✓ Poultry benefited as female employment outside the home increased

Why?

- new product proliferation
- emphasis on convenience
- ✓ Beef still needs to
 - develop and market more new products
 - convenient, tasty, nutritious & a good value



Results-Convenience

Implications

- ✓ As away from home food consumption grew
- ✓ Poultry benefited - proliferation of poultry menu items
- ✓ Focus on developing new menu items for HRI trade
- ✓ Need beef menu items that are
 - ✓ suitable for featuring
 - ✓ Meet HRI firms' profit objectives
 - ✓ Meet HRI firms' need for products that meet price points



Beef Demand Determinants Wrap-Up

- ✓ Weak U.S. economy will hurt beef demand
- ✓ Product quality & BQA remain important
- ✓ Food safety problems reducing beef demand
- ✓ Consumers respond to positive nutritional information about beef & this needs to be exploited
- ✓ Convenience is important
 - Lack of new products holding back beef demand
 - At home & at HRI level



Improving Beef Demand

The Portfolio Approach

