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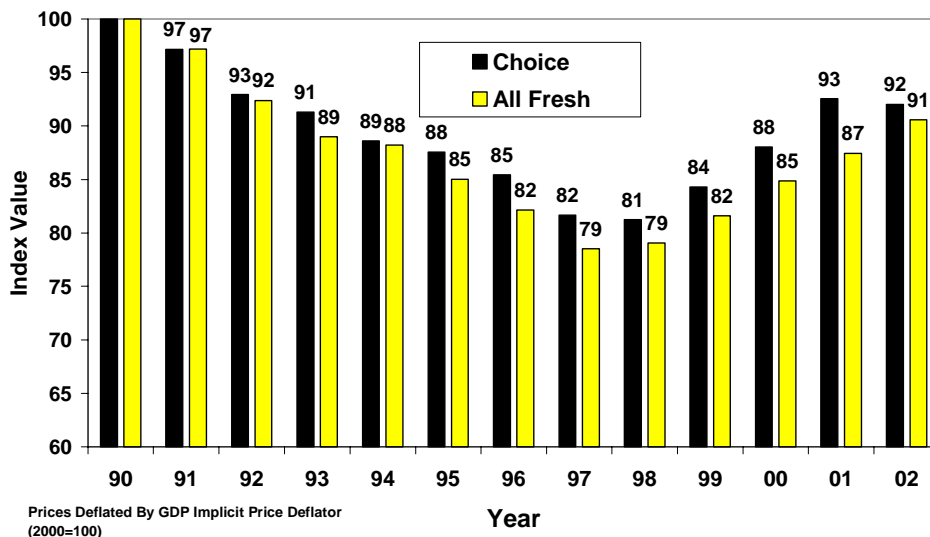
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Uncertain Times Clouds Demand Picture

The supply fundamentals in the fed cattle market continue to indicate that prices will be relatively stronger this year compared to last. Information about retail beef demand, which drives the demand for fed cattle, seems less certain. In fact, demand for retail beef was somewhat mixed last year. Demand for choice retail beef (i.e., beef cuts graded USDA Choice) was actually down about one percent in 2002 (see figure). However, demand for “all fresh” retail beef was up about four percent. The “all fresh” category includes choice and select cuts of beef, along with hamburger, so it gives a clearer picture of demand for lower quality beef products. Neither the choice nor all fresh category includes sales of featured or sale items.

The trend towards increased demand for all fresh beef and softer choice beef demand provides some evidence as to how consumer consumption patterns changed in 2002. With a generally weaker economy and low consumer confidence last year, coupled with other after-effects of the September 11, 2001 terrorist attacks, consumers appeared to direct more of their consumption to all fresh beef. The lower quality cuts or ground products that are included in all fresh are generally less expensive. Although consumer demand for choice retail cuts was down slightly 2002, it is likely to rebound in 2003, based on improved fourth quarter 2002 choice wholesale beef demand and relatively strong retail prices thus far in 2003. However, the extent to which the impending war in Iraq reduces travel, and consequently beef demand in hotels, restaurants, and other institutions (which often favor choice), remains to be seen. A long and drawn-out conflict may suppress consumer confidence and support retail demand for the lower quality cuts at the expense of choice beef. A swift and decisive end to the war should bolster consumer demand for retail choice beef, both in supermarkets and restaurants.

**Retail Choice & All Fresh Beef Demand Index
(1990=100)**



The Markets

Last week, slaughter cattle prices were mostly steady on a live weight basis, with Kansas fed steers bringing \$76-77. On a dressed basis, fed steers in Nebraska were steady to \$1 lower, trading at \$122-123. Choice boxed beef prices finished the week more than \$3/cwt lower, with the choice-select spread narrowing by \$1. Steady prices were seen in Kansas and Nebraska for 700-800 lb. steers last week. Prices for 500-600 lb. steers traded about \$1/cwt higher last week compared with the previous week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$76.80	\$76.98	\$74.25
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$122.09	\$122.74	\$119.36
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$76.83	\$76.72	\$81.46
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$93.92	\$92.70	\$99.94
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$79.43	\$79.67	\$85.29
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$98.11	\$96.99	\$105.89
Choice Boxed Beef Price, 600-750 lb. carcass	\$125.18	\$128.96	\$123.97
Choice-Select Spread, 600-750 lb. carcass	\$5.35	\$6.35	\$2.89