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Beef Demand Strengthens Again

Price strength this summer has been a function of smaller imports of beef and cattle from Canada and stronger consumer demand for beef in the U.S. Although trade data for June was not available when this column was written, revised supply estimates indicate that U.S. per capita beef disappearance (net of estimated imports, exports, and changes in cold storage stocks) during the spring quarter totaled about 16.9 pounds, 3% less than a year ago. At the same time, inflation adjusted Choice retail beef prices rose about 7% above the prior year. The reduction in supplies explains some, but not all of the rise in inflation adjusted retail beef prices, indicating that beef demand this spring was stronger than last year.

The beef demand index assumes that a 1% decline in per capita supplies triggers an increase in inflation adjusted retail beef prices of about 1.5%. So, if beef demand this spring was constant with a year ago, the decline in per capita beef supplies would have boosted inflation adjusted beef prices about 4.5%, instead of the 7% increase that actually occurred. The difference is attributable to an increase in domestic beef demand. Year-to-year comparisons of this spring's preliminary beef demand index and that of a year ago indicate U.S. beef demand rose about 3% during the April-June quarter.

After declining for almost two decades, U.S. beef demand exhibited its first year-to-year increase in 1999 and continued to improve until fall 2001. Beef demand during 2002 was weaker than the prior year, but showed signs of recovering late in the year. The fact that domestic beef demand was stronger than a year earlier during both the January-March and April-June quarters suggest U.S. beef demand is returning to the trend established from 1999 through September 11, 2001.

The Markets

Weekly average Kansas slaughter cattle prices surged to nearly \$76.56 (live weight) last week, up over \$3.50 compared to the prior week. Dressed weight slaughter steer prices in Nebraska rose nearly \$5.00 per cwt., compared to the previous week. Weekly average light Choice boxed beef prices were flat compared to a week ago and the light Choice-Select spread declined for the eighth week in a row to average \$4.86/cwt. for the week. Feeder cattle and calf trade prices continued to strengthen in response to the strength in slaughter cattle and weakness in feed grain prices. Feeder and calf weight steers in Kansas both rose over \$1/cwt. compared to the prior week. Feeder steers in Nebraska also strengthened last week and traded about \$3.00/cwt. higher than two weeks ago.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$76.56	\$73.00	\$62.88
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$123.22	\$118.30	\$99.24
700-800 lb. Feeder Steer Price, Kansas 4 market avg.	\$94.38	\$93.00	\$78.99
500-600 lb. Feeder Steer Price, Kansas 4 market avg.	\$101.68	\$100.36	\$84.23
700-800 lb. Feeder Steer Price, Neb. 7 market avg.	\$96.54	NA	\$82.18
500-600 lb. Feeder Steer Price, Neb. 7 market avg.	\$107.81	NA	\$91.76
Choice Boxed Beef Price, 600-750 lb. carcass	\$128.60	\$128.80	\$110.09
Choice-Select Spread, 600-750 lb. carcass	\$4.86	\$5.34	\$4.47