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2003 Retail Beef Demand Higher

Record high slaughter cattle prices and boxed beef prices occurred in recent months as a result of tight supplies of fed cattle and beef. Low cattle inventories, lighter carcass weights, and the ban on Canadian live cattle and beef have contributed to this tight supply situation. The surge in slaughter cattle prices this summer and fall have not been driven exclusively by supply however. Demand for retail beef has not only been higher in 2003 relative to last year, but has also been increasing throughout 2003.

From January through September, Choice retail beef prices have average \$3.60/lb, \$0.30/lb higher than during the same time last year. With only a 0.4 lb decline in beef consumption during the first three quarters of 2003 compared to 2002, Choice beef demand increased. Demand for Choice retail beef was 2% higher in the first quarter of 2003 compared to 2002's first quarter. The second and third quarters of 2003 saw gains of 3% and 6%, respectively, compared to last year. Demand for All Fresh retail beef (includes both Choice and Select) has generally been higher in 2003 as well. Compared to last year, All Fresh demand was 1% higher in 2003:Q1, 2% lower in 2003:Q2, and 3% higher in 2003:Q3. The relative decline in 2003:Q2 resulted from significantly higher demand in 2002:Q2.

With selected Choice retail cut prices currently 20-40% higher than last year, demand for the fourth quarter will likely be up as well. For the year, an increase of about 5% appears certain. What has driven 2003's beef demand increase? Development and consumer adoption of new products offering convenience attributes (e.g., packaging, preparation) have been significant contributors. Advances in safety assurances over the last few years may also have had an impact. Additionally, and perhaps most importantly, there appears to be a marked shift in consumers' tastes and preferences towards beef. The rapidly growing popularity of high protein diets is one example of this.

The Markets

Last week, Kansas slaughter cattle prices were about \$2 higher on a live weight basis. On a dressed basis, Nebraska steers were \$3.53 higher at \$161.40. Choice boxed beef prices were \$5.08 lower last week, but more than \$40 higher than last year. The Choice-Select spread narrowed by \$2.41 last week to \$16. Steer calf prices in Nebraska were \$5-6 higher last week and 700-800 lb. steer prices were steady. Little feeder cattle trade occurred in Kansas due to the holiday shortened week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$99.91	\$97.94	\$72.95
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$161.40	\$157.87	\$114.74
700-800 lb. Feeder Steer Price, Kansas 4 market average	no trade	\$104.76	\$84.80
500-600 lb. Feeder Steer Price, Kansas 4 market average	no trade	\$108.27	\$90.25
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$107.50	\$107.25	\$90.02
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$115.94	\$110.54	\$96.57
Choice Boxed Beef Price, 600-750 lb. carcass	\$162.06	\$167.14	\$121.22
Choice-Select Spread, 600-750 lb. carcass	\$16.00	\$18.41	\$6.48