

**James Mintert, Ph.D.**  
**Professor, Department of Agricultural Economics, Kansas State University**

**Beef Demand Rose Again During 2003**

Domestic retail choice beef demand increased again during 2003, rising about 5% compared to 2002, according to beef demand index calculations based upon preliminary estimates of U.S. beef consumption. The observed demand increase during 2003 was the fourth increase in the last five years, since domestic beef demand bottomed out during 1998. Last year's demand increase was the largest since the beef demand recovery got underway in the late 1990's. The cumulative demand improvement since the recovery began now stands at about 16%, which implies domestic beef demand has now recovered back to its 1993 level.

The beef demand recovery was strongest during the last half of the year, especially during the fourth quarter. Demand index calculations for fall 2004 indicate domestic beef demand rose approximately 10% compared to a year ago, a markedly better performance than during January-June when beef demand was only 2.7% stronger than during the prior year.

Beef demand's strong performance during 2003 bodes well for 2004. Two of the likely drivers behind the demand recovery were consumer interest in low carbohydrate diets (e.g., the Atkins diet and its derivatives) and an improving U.S. economy. The U.S. economy is poised for further improvement during 2004 and consumer interest in low carbohydrate diets continues unabated, despite two cases of BSE in North America over the last year. Strong domestic demand will help moderate the impact of export losses during 2004. But as bright as the domestic demand picture looks, it's not likely to offset completely the loss of U.S. beef exports.

**The Markets**

Cash slaughter cattle prices dropped again last week, averaging \$75.07/cwt. (steers, live weight) in Kansas and \$123.72/cwt. (steers, dressed weight) in Nebraska. The fed cattle price decline pushed cash prices back down near their late December and early January level when Kansas' slaughter steers averaged between \$74 and \$75/cwt. Encouragingly, trade early this week has taken place at steady to slightly stronger prices than last week's average. USDA's weekly average light Choice cutout slumped to a \$131.26/cwt. average last week, down 7% from \$137.30/cwt. the prior week. This week's average will be down again as light Choice cutout values traded between \$125 and \$126/cwt. the first three days of this week. Last week's average light Choice-Select spread declined \$1.20 to \$7.60/cwt. Calf and feeder cattle prices have retreated the last two weeks, taking their cue from declining slaughter cattle prices. Nebraska prices last week were likely more representative of the market because winter storms limited trade volume in Kansas. Steer calf prices last week averaged \$114.43/cwt. in Nebraska down \$2 from the prior week and \$5 lower than two weeks ago. Nebraska feeder prices averaged \$88.65/cwt. last week, down \$1.50 from the prior week and \$6 lower than their mid-January price peak.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, wtd. average, live weight	\$75.07	\$79.82	\$81.65
Nebraska Fed Steer Price, wtd. average, dressed weight	\$123.72	\$129.72	\$126.46
700-800 lb. Feeder Steer Price, Kansas 4 market avg.	\$85.34	\$87.98	\$78.80
500-600 lb. Feeder Steer Price, Kansas 4 market avg.	\$99.32	\$106.87	\$93.87
700-800 lb. Feeder Steer Price, Neb. 7 market avg.	\$88.65	\$90.15	\$79.81
500-600 lb. Feeder Steer Price, Neb. 7 market avg.	\$114.43	\$116.28	\$97.90
Choice Boxed Beef Price, 600-750 lb. carcass	\$131.26	\$140.80	\$130.38
Choice-Select Spread, 600-750 lb. carcass	\$7.60	\$8.29	\$5.98