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First Quarter Beef Demand

Demand for choice beef was impressive during 2003, increasing about 6% from the previous year. A shift in consumer tastes and preferences toward beef as a result of high protein diets appears to have led the demand surge in 2003. After such a strong increase last year and the BSE-event at the end of 2003, some questions exist as to how beef demand would trend in 2004. For the first quarter of 2004, retail beef consumption increased 0.90 lbs. per capita to 15.8 from 2003's fourth quarter. Retail choice beef prices for the first quarter of 2004 at \$3.99/lb, however, were down \$0.18/lb from the previous quarter, coinciding with a decrease in wholesale boxed beef prices. Demand for choice retail beef, which measures the combination of both consumption and price levels, increased about 4% in 2004:I compared to 2003:IV. This is a noteworthy increase because 2004:I was the first quarter after the BSE-event and demand tends to be seasonally sluggish in January and February. It appears that neither of these substantially hampered beef demand.

Comparing beef demand in the first quarter of 2004 to the first quarter of 2003 is a more relevant comparison due to the seasonal nature of beef demand. Retail choice beef demand in the first quarter increased by 10% compared to the same time in 2003. 2004's first quarter saw inflation-adjusted prices that were nearly 13% higher than in 2003 while per capita consumption was down only 2.4%. Demand for all fresh beef, which includes both choice and select cuts, was also increased in 2004:I, up 8.9% from the previous year. The large increase in demand during 2003 did not occur until early summer; thus, the large year-to-year increase observed in the first quarter of 2004 is not likely to be observed in subsequent quarters of 2004.

Still, beef demand looks positive for the remainder of 2004. As we quickly approach the beginning of the summer grilling season, consumer demand for beef remains strong, as evidenced by continued strength in retail beef prices. Further, export demand for beef products to Mexico will likely continue to improve with the recent announcement that variety meats and other products would be accepted for export to Mexico. The biggest uncertainties for beef demand remain the same: 1) when will Japan and other Asian markets lift their bans on U.S. beef?, and 2) will the high protein diet emphasis eventually fade away?

The Markets

Last week slaughter cattle prices in Kansas were \$1 lower, with the trade at \$85 on a live weight basis. Dressed sales in Nebraska averaged \$137.17, down about \$5 from the previous week's average or \$3 from prices seen at the end of the previous week. Choice boxed beef prices decline \$1.84 last week while the Choice-Select spread widened almost \$1 last week. Prices for 700-800 lb. steers were \$1-2 higher in Kansas and Nebraska last week. Steer calf prices (500-600 lb.) were about \$1 higher.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$84.94	\$86.01	\$77.79
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$137.17	\$142.37	\$124.30
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$99.11	\$97.49	\$82.27
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$114.31	\$114.10	\$96.57
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$102.95	\$101.22	\$84.68
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$121.60	\$120.35	\$103.06
Choice Boxed Beef Price, 600-750 lb. carcass	\$159.93	\$161.77	\$134.53
Choice-Select Spread, 600-750 lb. carcass	\$18.44	\$17.53	\$14.38