

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

Beef Demand Increased In '04, But Growth Slowed During 4th Quarter

Preliminary calculations indicate domestic retail Choice beef demand increased again during 2004. Per capita beef consumption in the U.S. during 2004 totaled about 66 pounds, an increase of 1.6% compared to 2003. The consumption increase occurred despite the fact that domestic beef production declined 6.4% from the prior year. The reason of course was that U.S. beef exports during the first 10 months of 2004 fell 84% below 2003's. The inflation adjusted price of Choice retail beef during 2004 was approximately 6% higher than 2003's. Since domestic consumers ate more beef and were willing to pay a higher price for the larger quantity, it means domestic beef demand increased compared to 2003. Preliminary beef demand index calculations indicate U.S. beef demand increased 7 to 8% above 2003's.

Although not all of the data is available yet for the fourth quarter of 2004, which means final calculations could change, it looks like beef demand growth slowed appreciably during the fall. During the first three quarters of 2004 beef demand increased 11%, 9%, and 9%, respectively, all compared to a year earlier. Preliminary calculations for October-December 2004 indicate beef demand was near the prior year's level, or possibly up 1%. The slowdown in beef demand growth during late 2004 is consistent with the notion that interest in low carbohydrate diets has peaked. Looking ahead to 2005, it seems likely that domestic beef demand growth will be far more modest than the robust gains of late 2003 and early 2004.

In The Markets

Weighted average slaughter steer prices in Kansas last week (week ending 01.06.05) were unchanged from the prior week in Kansas and up less than \$1/cwt. (dressed weight) in Nebraska. Weekly average boxed beef prices were slightly weaker last week, but have strengthened appreciably this week. Since bottoming out on 01.05.05, USDA's Choice cutout has increased over \$11/cwt., hitting \$150.66 on 01.12.05. Cash cattle trade this week (week ending 01.14.05) has been much stronger than last week, with cattle changing hands in Kansas at \$92/cwt. (live) and in Nebraska at \$145/cwt. (dressed). Feeder cattle prices last week were mixed and prices this week have not yet responded to the run-up in slaughter cattle prices.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$88.10	\$88.00	\$74.06
Nebraska Fed Steer Price, dressed weight	\$139.73	\$138.53	\$120.30
700-800 lb. Feeder Steer Price, Kansas 3 market average	\$105.80	--	\$89.18
500-600 lb. Feeder Steer Price, Kansas 3 market average	\$128.02	--	\$108.19
700-800 lb. Feeder Steer Price, Nebraska 7 market average	\$106.30	\$109.17	\$92.00
500-600 lb. Feeder Steer Price, Nebraska 7 market average	\$128.61	\$122.65	\$117.06
Choice Boxed Beef Price, 600-900 lb. carcass	\$140.76	\$141.45	\$128.97
Choice-Select Spread, 600-900 lb. carcass	\$7.06	\$5.82	\$7.10