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Beef Demand Showing Signs of Weakening

Retail domestic demand for Choice beef showed signs of weakening this past summer. This is in contrast to the first half of 2005 when it appeared that U.S. consumers' demand for beef had changed little compared to the prior year.

During the summer (July-September) quarter, retail weight beef consumption totaled 17 pounds per capita, up slightly compared to summer 2004 when consumption reached 16.9 pounds per capita. Although beef consumption increased just 0.2% this year vs. 2004's, the inflation adjusted retail Choice beef price declined 7.3%, averaging \$3.62 per pound this year vs. 2004's \$3.91 per pound average. The relatively large decline in the inflation adjusted price associated with the very small increase in beef quantity indicates beef domestic beef demand this past summer was weaker than in 2004. Beef demand index calculations reveal that domestic beef retail Choice beef demand declined about 7 percent compared to a year earlier.

There are probably a number of reasons behind this summer's apparent decline in domestic beef demand. Two keys to the decline could be reduced consumer interest in low carbohydrate diets and the impact of rising energy costs on consumer's wallets. If that's the case, the industry can expect domestic beef demand to remain weaker than a year earlier for the next several quarters.

In The Markets

Slaughter cattle prices weakened last week as Kansas prices declined to a \$90/cwt (live weight) average. Prices in Nebraska also declined, averaging \$141.79/cwt. (dressed weight) vs. \$143/cwt. the prior week. The cattle price decline came about in spite of the fact that boxed beef prices strengthened. USDA's Choice cutout value averaged \$6/cwt. higher last week than the prior week as two weeks of smaller slaughter levels provided some support to prices. Feeder prices in Kansas changed little compared to the prior week, whereas Nebraska prices remained steady for 500-600 pound steers and declined about \$5.50/cwt. for 700-800 pound steers. Breakeven prices for feeder cattle placed on feed at recent prices remain high by historical standards. A 750 pound steer placed on feed at last week's Kansas average price would likely require a sale price between \$94 and \$95/cwt. in early April to breakeven.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$90.01	\$91.94	\$84.91
Nebraska Fed Steer Price, dressed weight	\$141.79	\$143.00	\$131.56
700-800 lb. Feeder Steer Price, KS 3 market average	\$116.88	\$117.03	\$110.13
500-600 lb. Feeder Steer Price, KS 3 market average	\$132.23	\$133.14	\$119.99
700-800 lb. Feeder Steer Price, NE 7 market average	\$118.77	\$124.24	\$109.99
500-600 lb. Feeder Steer Price, NE 7 market average	\$137.53	\$137.68	\$122.88
Choice Boxed Beef Price, 600-900 lb. carcass	\$151.40	\$145.52	\$136.05
Choice-Select Spread, 600-900 lb. carcass	\$11.02	\$12.21	\$5.25