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Domestic Beef Demand Weakens During 2005

Domestic demand for Choice beef at retail weakened during 2005 as the beef demand annual index value declined for the first time since 2002. Preliminary estimates of per capita beef supplies declined during 2005 to 65.5 pounds, down 0.9% compared to a year earlier. Despite the small decline in beef supplies at retail, inflation adjusted Choice retail beef prices paid by consumers actually declined 2.7%. If demand had been stable, inflation adjusted retail beef prices would have increased modestly in response to the reduction in available supplies. The beef demand index, which compares the observed inflation adjusted Choice retail beef price to the expected price if demand had held steady, indicates domestic retail demand for Choice beef declined about 3.6% during 2005.

The demand decline was not spread evenly throughout the year. Instead, virtually all of the demand decline occurred during the last half of 2005. From January through June, demand index calculations indicate that demand was actually near the prior year’s level, exhibiting a modest decline of less than 1%. But retail demand weakened during the summer and fall quarters. Beef demand index calculations indicate that retail beef demand declined about 6.9% and 5.9%, respectively, during the summer and fall quarters.

Beef demand during the late 1990’s through 2004 benefited greatly from consumer interest in low carbohydrate diets. Waning interest in low carbohydrate diets could be a key factor behind the apparent decline in retail beef demand during the last half of 2005. If that’s actually the case, retail beef demand could weaken again during 2006.

In The Markets

Slaughter cattle prices strengthened last week despite concerns about losing access to the Japanese beef market. Kansas slaughter cattle prices averaged \$96.58/cwt (live weight) last week, \$3.20/cwt. above the prior week and the highest weekly average since December 2003. Weekly boxed beef prices increased modestly, averaging \$156.80 last week. Feeder cattle prices were flat compared to the prior week in Kansas, but strengthened moderately in Nebraska. Light weight steer prices increased in both states, averaging \$138.50/cwt. in Kansas and \$145.80/cwt. in Nebraska. A 750 pound steer placed on feed at last week’s Kansas average price would likely require a sale price near \$90/cwt. in mid-to-late June to breakeven.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$96.58	\$93.38	\$89.90
Nebraska Fed Steer Price, dressed weight	\$151.92	\$147.66	\$143.32
700-800 lb. Feeder Steer Price, KS 3 market average	\$113.73	\$113.58	\$106.18
500-600 lb. Feeder Steer Price, KS 3 market average	\$138.50	\$133.70	\$124.08
700-800 lb. Feeder Steer Price, NE 7 market average	\$116.71	\$114.96	\$108.88
500-600 lb. Feeder Steer Price, NE 7 market average	\$145.80	\$143.60	\$130.98
Choice Boxed Beef Price, 600-900 lb. carcass	\$156.80	\$154.06	\$154.88
Choice-Select Spread, 600-900 lb. carcass	\$12.93	\$13.39	\$4.98