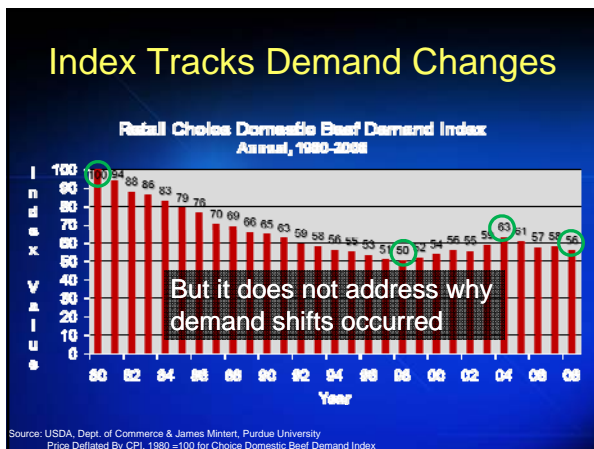
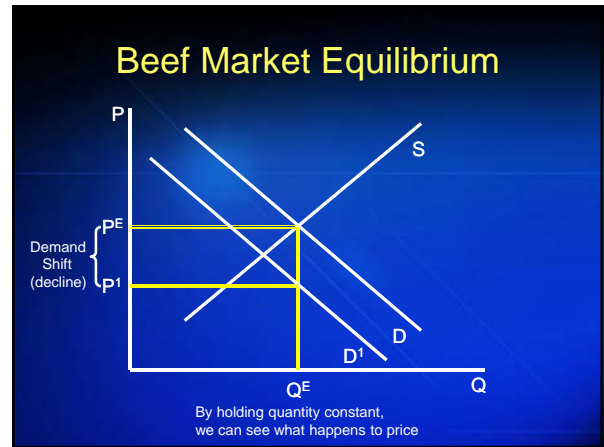
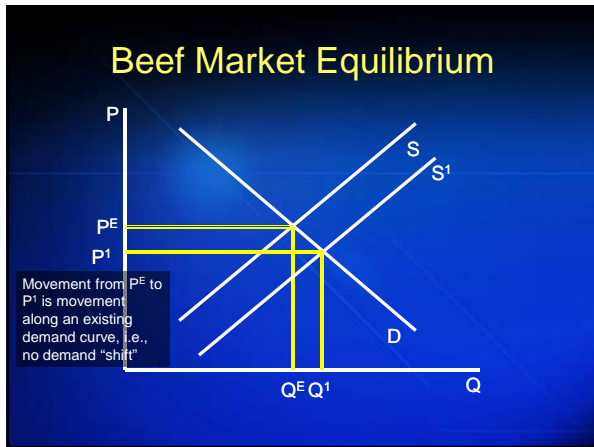
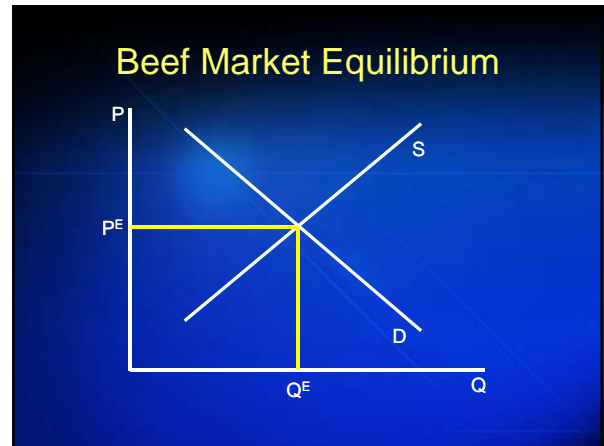


Beef Demand Update

James Mintert, Ph.D.
 Assistant Director of Extension
 & Professor of Agricultural Economics
 Purdue University


December 2, 2009 – Casper, Wyoming

Research Supported by
 Cattlemen's Beef Board 



Beef Demand Determinants Project

Thanks to Supporters of this Research

Cattlemen's Beef Board 

&

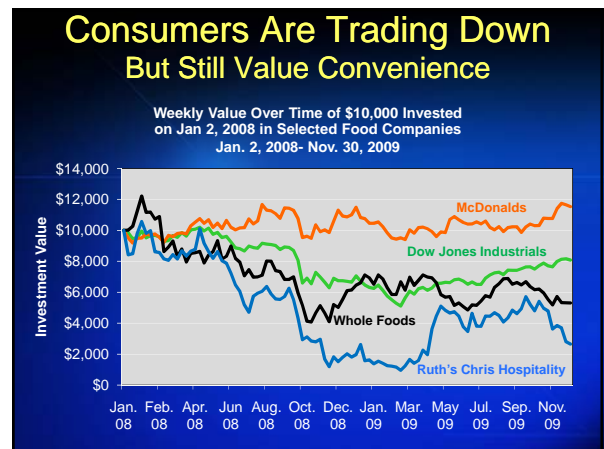
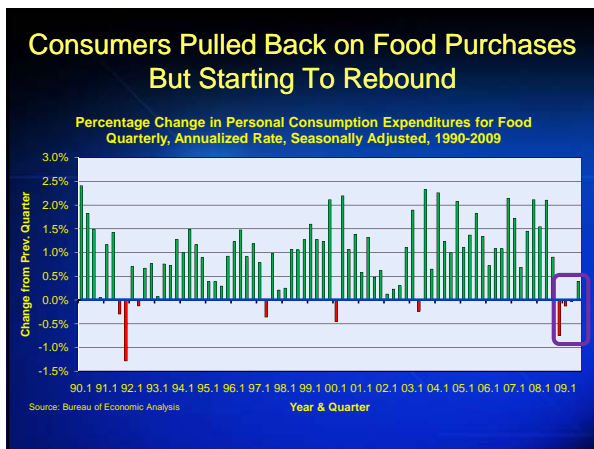
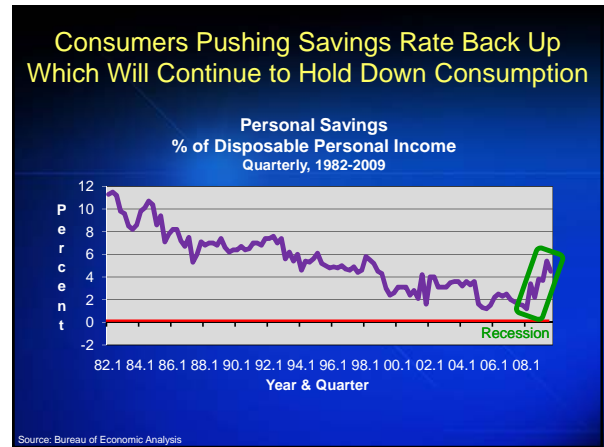
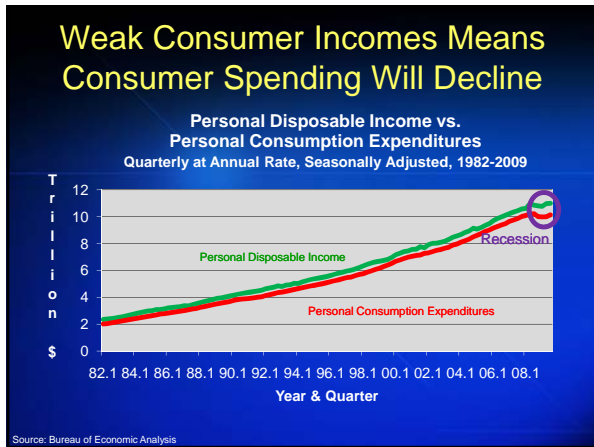
Alabama Cattlemen's Association	Nebraska Beef Council
Colorado Beef Council	Oklahoma Beef Council
Georgia Beef Board	South Dakota Beef Industry Council
Idaho Beef Council	Texas Beef Council
Iowa Beef Industry Council	Wyoming Beef Council
Mississippi Beef Council	Wisconsin Beef Council

Beef Demand Model Designed To Address Why Shifts Occurred

- ✓ beef quantity & price
- ✓ competing meat & other goods prices
- ✓ consumer expenditures
- ✓ food safety
- ✓ health
- ✓ nutrition
- ✓ convenience

MACROECONOMIC EFFECTS:

Consumer Incomes & Expenditures



Beef demand & the U.S. Economy

beef demand benefited from

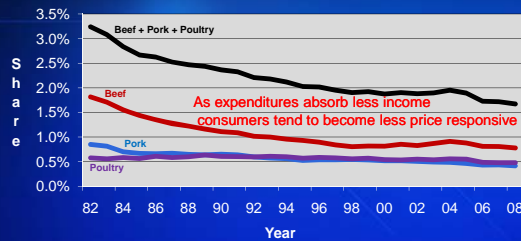
- Long-run growth in U.S. economy & low savings rate
- But weak incomes & increase in savings rate in '09 holding back beef demand

Near-term, consumers decision to hold down expenditures will continue to dominate other forces affecting beef demand

CONSUMER INCOMES & EXPENDITURES

Beef Expenditures Are Small Relative to Income

Beef, Pork, and Poultry Expenditures
 As a Percentage of Disposable Personal Income, 1982-2008



Source: USDA and LMIC

Results – Price Effects

1% increase in beef price leads to a 0.42% decrease in quantity demanded

- ✓ Small response to pork & poultry prices

Implications

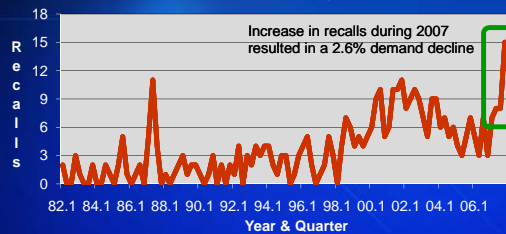
Don't give consumers a reason to "not buy" beef

- Strive to improve product quality
- Provide satisfactory eating experiences

FOOD SAFETY

Consumers Pay Attention to Food Safety

Beef Food Safety Recalls
 Class I & II Recalls, Quarterly, 1982-2007



Source: U.S. Food Safety Inspection Service

Results – Food Safety

Beef Demand declines as safety recalls increase

Two levels of impact

Current plus 1 & 2 quarter lagged responses

10% increase in beef recalls

0.2% decline in beef demand

Recalls responsible for approximately 2.6% decline in beef demand during 2007 vs. 2006

Results – Food Safety

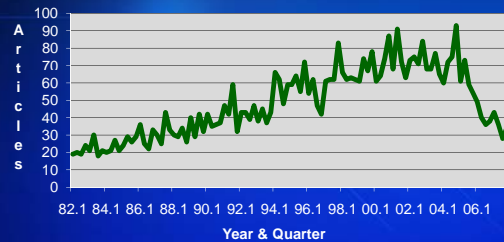
Implications

- ✓ Consumers expect food to be safe
- ✓ Sharp increase in recalls (such as 2007) does generate significant domestic demand decline
 - Confirms need to be proactive on food safety

HEALTH INFORMATION

Concerns About Heart Disease & Beef Still Holding Back Beef Demand

Articles Published Referencing Heart Disease & Diet
Medical Journals, Quarterly, 1982-2007



Source: Medline

Results – Health Information

- ✓ Results indicate beef demand declines in response to information linking diet, fat, cholesterol & heart disease

10% increase in journal articles linking diet & disease

0.2% decline in beef demand

Comparing 2004 to 1982

- ✓ increase in articles linking diet, fat, cholesterol & heart disease explained a demand decline of about 9%

Results – Health Information

Implications

- ✓ Continue communicating beef's positives
- ✓ Emphasize beef's nutritional properties
 - Consumers
 - Health & nutrition professionals

NUTRITION INFORMATION



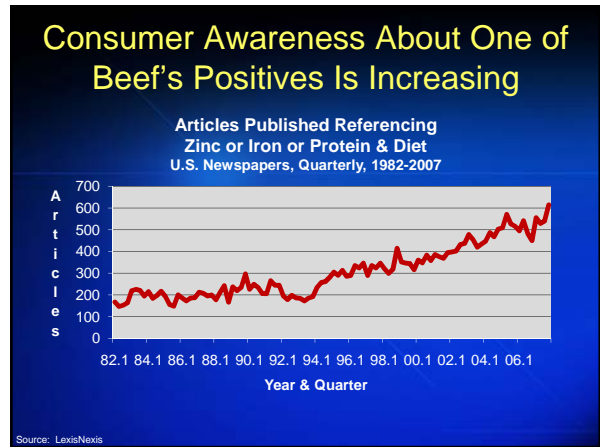
Results – Nutrition

Atkins-type diets supported Beef Demand

Doubling of net positive (positive minus negative) articles on Atkins Diet led to

0.8% increase in beef demand

From 1998 to 2003, media information supporting Atkins-type diets boosted beef demand about 2%



Results – Nutrition

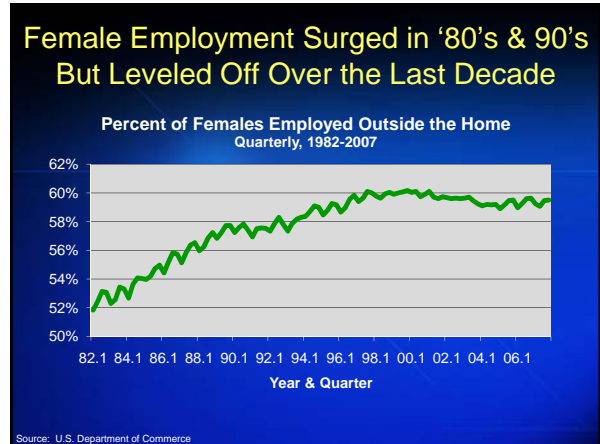
- ✓ Beef Demand benefited from increasing consumer awareness of beef's nutritional benefits
- ✓ 10% increase in articles referencing Zinc, Iron, Protein & Diet led to
 - 0.25% increase in beef demand
- ✓ Articles in 2007 were up 268% compared to 1982, boosting beef demand about 7%

Results – Nutrition

Implications

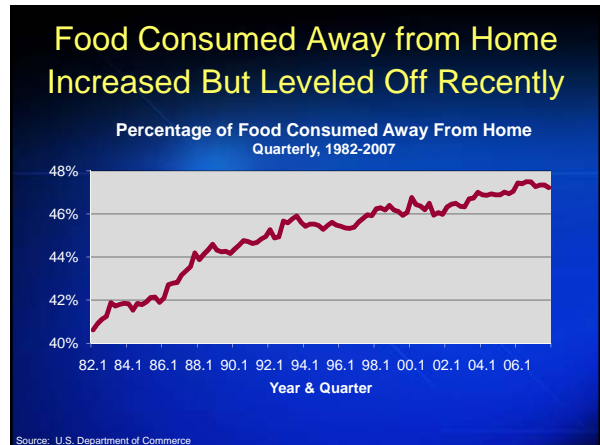
- ✓ Atkins and ZIP (zinc, iron, protein) indices demonstrate power of "positive" information
- ✓ Industry needs to
 - Communicate how beef fits into a healthy lifestyle
 - Identify & Research other nutritional benefits
 - Emphasize nutritional properties

CONVENIENCE



Results – Convenience

- ✓ Beef demand declined as female employment outside the home increased
- ✓ 1% increase in female employment outside home
 -0.6% decline in beef demand
- But
- ✓ +0.6% increase in poultry demand



Results – Convenience

- ✓ Beef demand declined as
 - Female employment outside the home increased
 - ✓ 1% increase in female employment
 0.6% decline in beef demand
- Food consumed away from home increased
 - ✓ 1% increase in food consumed away from home
 1.6% decline in beef demand
- ✓ Poultry benefited from these trends
- Why?
 - new product proliferation
 - emphasis on convenience

Results – Convenience

Implications

- ✓ Poultry benefited as female employment outside the home increased
- Why?
 - new product proliferation
 - emphasis on convenience
- ✓ Beef can respond by
 - developing and marketing more new products
 - convenient, tasty, nutritious & a good value

Beef Demand Project
The Big Picture

- ✓ Consumers value convenience
 - ✓ Convenient beef products have great potential
 - ✓ Consumers respond to new products that meet their needs
- ✓ Consumers are receptive to information about health and nutrition
 - ✓ Provide positive health & nutrition information to consumers
- ✓ Safety of beef is still important

