



# Consumer Focus

► article provided by the beef checkoff

## How to grow beef demand

*Price, food safety and product quality are the most important demand drivers on which the beef industry should focus to have the most compelling effects on beef demand in the long term. Other key drivers include health, nutrition, social aspects and sustainability.*

*So concludes “Beef Demand: Recent Determinants and Future Drivers,” a newly released study commissioned by the National Beef Checkoff Program to summarize the current knowledge of consumer demand for beef and identify the best opportunities for the industry to influence demand positively.*



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► The industry needs high-quality products that offer consistently excellent flavor, color, tenderness, juiciness, etc., and that are offered to consumers in forms they prefer/demand.

“Consumer demand for beef is one of the most important and widely discussed, yet poorly understood, concepts affecting the beef and cattle industry,” the report notes. “It is imperative that the beef industry recognize what drives consumer demand, what expectations are for the future, and assess the industry’s ability to adjust practices to target evolving consumer preferences or to influence important demand determinants.”

Authors of the report include Ted Schroeder, professor of livestock marketing, and Glynn Tonsor, associate professor of livestock marketing, both at Kansas State University, in addition to James Mintert, assistant director of Extension for Agriculture and Natural Resources at Purdue University, who prepared the report at the request of the checkoff.

“The information gathered and analyzed for this comprehensive report is almost invaluable to the beef industry, in general, and to the beef checkoff program, in particular,” said cattleman Ted Greidanus, a member of the Cattlemen’s Beef Board and chairman of the Joint Evaluation Committee that commissioned the research for the checkoff.

“Not only does it have the ability to help more producers understand the true meaning of strong beef demand, which has the potential to improve their bottom lines, but it provides a detailed road map for checkoff leaders in identifying how to leverage every checkoff dollar to its most effective and meaningful degree possible,” Greidanus said. “Members of the Cattlemen’s Beef Board and directors of the Federation of State Beef Councils will be asked to use the information in this report in making decisions about how to invest checkoff dollars in fiscal year 2014 and beyond.”

### Understanding beef demand

While recognizing that understanding beef demand and how to affect it is a daunting task, the report’s authors note that it also is critical to the industry’s long-term viability.

One very important point in developing strategies to grow beef demand will be clarification about the role of per capita consumption in beef demand. Per capita consumption is, in effect, per capita availability of beef, so it offers little information regarding beef demand when

## CONSUMER FOCUS

considered independently of prices, the economists note. Demand, on the other hand, effectively refers to the quantity of beef that consumers will purchase at one given price, with all other factors held constant. (Chapter 5 of the report explains beef demand concepts in detail.)

“While it is tempting to focus on market share, per capita consumption, or other product volume flows to monitor demand, this can be very misleading,” Tonsor said. “Demand can only be accurately measured by assessing the combination of price and quantity. Demand is a key component of economic signals (prices) sent throughout the entire supply chain.”

Given the state of the cattle industry’s supply, that understanding of beef demand vs. consumption is particularly critical.

“As the industry is entering a period of declining per capita supplies (and hence consumption), these clarifications are important,” the report notes. “It is entirely possible for per capita consumption to decline and beef demand to increase. In fact, this is what the industry experienced the past two years. That is, per capita beef consumption fell in 2011 and 2012 relative to prior-year volumes ... [while] beef demand increased.”

Looking forward to the next three years, USDA projections include falling per capita beef consumption in the United States until 2015, at which time increases are projected following cow-herd expansion. If per capita consumption falls as expected, demand could still continue upward if consumers continue to be willing to pay higher prices for beef. (Chapter 6 of the report provides a related summary of the macroeconomic environment in which the beef industry operates.)

### What is important to consumers?

The research identifies seven broad attributes as particularly consequential demand factors that the beef industry, through the beef checkoff, likely could influence. These became the central focus of the determinant study: beef price, food safety, product quality, health, nutrition, social aspects, and sustainability.

Price, food safety and product quality rose to the top of all other attributes — both for ground beef and steak. Because the checkoff cannot control price, the researchers identified food safety and product quality as

the two key attributes that the checkoff can and should influence.

“There are a multitude of things, in addition to demand strength, that influence beef prices,” said Mintert, “including things that affect cattle and beef supplies — such as feed costs, land costs, energy prices, new technologies, beef packaging and processing costs, and interest rates — all of which are beyond the control of individual producers or the beef industry as a whole.”

With that in mind, the research gathered and ranked issues affecting beef purchases, both according to consumer responses and industry researcher responses, and found general agreement between the two. Food safety, product quality and form, and

price were the three highest-ranking factors in both consumer and expert assessments, whereas social aspects and sustainability were ranked lowest, with nutrition and health ranked between the two. (Chapter 3 of the report summarizes consumer input about beef purchases.)

Consumers indicated similar rankings for ground-beef and steak purchasing decisions. On average, safety, freshness, taste and health were most often selected as “most important” factors, while convenience, origin/traceability, and environmental impact were most frequently identified as “least important” factors in their beef-buying process.

### What can the checkoff do?

From the milieu of research, data and surveys of producers, consumers, economists, meat scientists and other industry experts, the researchers prepared five key recommendations for checkoff leaders to consider in making decisions about how to invest checkoff dollars, as summarized on page 15 of the summary report:

1. First and foremost, continue to **invest in food-safety enhancement and assurances**. Consumers demand it, and there is considerable opportunity to positively improve beef demand in the future.

2. **The industry needs high-quality products** that offer consistently excellent flavor, color, tenderness, juiciness, etc., and that was offered to consumers in forms they prefer/demand. While development of new products is an important dimension of this, consistency and integrity of product labels is another important component. The checkoff’s recent participation in updating Uniform Retail Meat Identity Standards (URMIS) names for red meat sold at retail

is a perfect example of an astute response to consumer demands for consistent and recognizable names of cuts at the meatcase, the report notes.

3. Price has been for a long time, and remains, an important driver of consumer purchase decisions. Beef experts indicate that they see little opportunity during the next 10 years for the industry to influence beef prices significantly, especially relative to competing protein prices. Consequently, their recommendation on this front is for the industry to work to **embrace efficiency-enhancing technology development and adoption** that does not negatively impact, and ideally enhances, product quality and safety attributes.

4. Give continued industry attention to health and nutritional aspects of beef. Beef’s advantages with respect to protein content, and perhaps iron and zinc, appear to be opportunities for the industry to continue to develop and promote with consumers. This suggests an opportunity to **target younger shoppers with specific positive health and nutritional messages**.

5. **Social and sustainability issues** — including consumer skepticism about production technology, perceptions that technologies degrade product quality, safety, nutrition, concerns about animal handling, etc. — **should not be ignored**, as the industry must be vigilant and prepared when these issues arise. Investments to address social and sustainability issues likely will have a lower demand-enhancement payoff than investments in other key areas, though responding to these issues might remain a ‘cost of doing business.’

“Many important demand determinants provide opportunities and challenges for both individual firms and the collective industry,” Schroeder said. “Producers and individual firms are encouraged to take special note of the role they can play in advancing beef demand. Furthermore, industry representatives managing increasingly tight checkoff budgets can use recommendations [from] this study to help prioritize demand-enhancement investments.”

“Beef Demand: Recent Determinants and Future Drivers” is available on the [mybeefcheckoff.com](http://mybeefcheckoff.com) website under the “Evaluation” link on the left side of the page.



**Editor’s Note:** This article was provided by the beef checkoff.

**New study results identify most promising opportunities.**