

Demand Factors

Experts consider factors to growing beef demand.

by *Mathew Elliott*

James Robb has been studying the beef industry for quite some time. Robb, the director of the Livestock Marketing Information Center (LMIC), works with 26 land-grant universities, six U.S. Department of Agriculture (USDA) agencies and several associate organizations to understand the beef industry and its “competitors.”

He shared his insights this January with cattlemen and industry representatives at the 2008 International Livestock Congress (ILC) during the National Western Stock Show (NWSS) in Denver, Colo.

After analyzing LMIC information showing U.S. beef production history, Robb predicted beef production would level off. He also cited decreased levels of importing worldwide, as well as declining cow herd sizes due to drought and conversion of pastures into cropland, as contributors to slowing beef production.

“When we take that together and look at per capita consumption, which is actually per capita supply, our per capita supply in the United States is going to decline in the next two years,” Robb said.

After looking at supply, Robb said as an economist his next logical step was to look at demand and how it would affect beef prices and other prices as well.

The U.S. economy and the worldwide economy both factor into demand. But beef demand is also affected by the price of other meats — “the white meats and the other red ones,” Robb said. “That will greatly influence the price of beef. If I could pick the most uncertain component of the next year, it would be this demand side.”

With decreased supplies of beef, Robb said poultry and pork are filling in.

Pork production is on the rise — with more healthy pigs per litter — and in great financial condition, he said. Pork exports are also predicted to be on the rise. With October and November 2007 achieving record exports, the pork industry doesn’t look like it’s going to slow down.

Chicken and turkey production is also expanding.

“What do you see when you drive down the street?” Robb asked. “Not only do you see a Starbucks, but you also see a deli on the corner of the street. Turkey consumption in the U.S. has increased in the past couple years.” Exports are growing, too.

Robb concluded his presentation by overviewing what the beef industry has working in its favor.

“Even with record-high corn prices, we have a forage-based beef industry,” Robb noted. “International demand is strong enough, but you have to keep an

eye on what the other industries sell their product for. The prices for international demand could compensate for higher corn. The worldwide demand for these products is strong.”

Safeguard demand with quality

As part of a consumer demand panel at the ILC, John Lundeen, executive director of market research for the National Cattlemen’s Beef Association (NCBA) discussed how keeping beef “top of mind” is an important component of beef demand.

“We can’t forget taste, tenderness, juiciness, leanness and consistency,” Lundeen said. “If we put a good product on the plate, and it tastes good, that consumer is going to come back for more.”

Lundeen overviewed a study from Kansas State University showing the qualities noted above and how they ranked among consumer preferences. All of them ranked very high. Focusing on what consumers enjoy about beef, he also noted that people are passionate about eating beef.

“What I thought was interesting was the second factor, and this is a name we came up with, food and fuel for the body,” Lundeen said. “If you start to look at it a little deeper, that’s really what nutrition does for me.”

“It’s great that your product has these things in there, but what does that do for me in my daily life?” he continued, taking the consumer’s view. For that reason, NCBA has been trying to connect the nutritional components inherent in beef with how they affect health and well-being.

From a nutrition standpoint, Lundeen says beef producers have many lean products to offer consumers. When consumers look at nutrition labels, they look at total calories, they look at total fat, they look at trans fat. Beef’s nutrition profile competes well.

Showcasing beef’s cooking convenience and familiarity was another important part of NCBA’s marketing strategy.

“Over a month of our meals per year are being bought fully cooked, ready-to-eat, and [we’re] eating them outside the restaurant or taking them into our homes,” Lundeen said. “That’s why we have to focus on fully cooked products.”

A key target audience to attract with these facts is the “millennials,” those who were born 20 years before the year 2000. This group is beginning to form families, providing a “monster opportunity,” Lundeen said.

“I think we have a lot of great opportunities to put a great beef product on the plate to a growing number of consumers and to deliver a great beef-eating experience,” Lundeen said.



► Keeping beef top of mind and at the center of the plate are important components of beef demand.