

UF-Gainesville Beef Cattle News Corner

Beef demand, beef consumption and profitability.

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Demand vs consumption.

There is a lot of conversation about trends in beef consumption and beef demand. While both are important for the beef industry, they represent different things and tell different stories. Increased beef consumption does not, by itself, indicate anything about beef demand. We are consuming more beef because we are producing more beef. Per-capita consumption is calculated by the USDA using an accounting approach to measure beginning beef stocks, production, and ending stocks. A “disappearance” measure is then generated and converted to a per-capita basis.

Demand for any product is a function of the quantities consumers will take at various prices – both quantity and price are involved. I’ll give you an example familiar to everybody about how quantities and prices come together. Think about the last time you went shopping for a pair of jeans. You intend to buy one pair, but when you walk into the store, they have a big 50-percent price reduction sale going on. Do you ever walk out with two pairs when you intended to buy one pair? If you do, you buy two pairs for one simple reason: the price is lower. At any point in time, consumers will take more quantity only at a lower price. Your demand for jeans did not change when you bought two pairs. You took (you “consumed”) a bigger quantity because the price was low. Your attitude toward those jeans, the amount of money in your pocket--the things that determine your willingness to pay and to consume--did not change. It is the same with beef: when the pipelines are full, because daily slaughter has surged across the past week or so, that increased quantity will be absorbed by the marketplace at some price. And that price will always be lower if demand has not increased.

Changes in Demand: The Important Issue.

Generally, people want more of any product when their incomes go up. Beef is no exception. Higher income consumers tend to buy more beef, especially the higher priced cuts like steak. But they also want--and are willing to pay for--quality, consistency, and convenience in preparation. It is shifts in demand, not just changes in quantity, that will be a key to profitability. If demand is increasing, consumers are willing to pay a higher price for the same quantity or purchase a larger quantity for the same price per unit, and you are in a growth phase. If demand is going in the opposite direction, there is intolerable pressure on the producer--and some have to get out of business if demand continues to decrease and costs cannot be reduced enough to keep the business going.

What is important to consumers?

Surveys and research suggest the modern consumers want:

- Low-fat and low-cholesterol products.
- High quality products that offer a favorable eating experience.
- Products that offer a positive eating experience consistently and reliably.
- Products and product forms that are convenient and easy to prepare.

The message is a simple one: the beef industry needs high-quality products that offer consistently excellent flavor, tenderness, juiciness, color, etc. It is also more and more important to bring the attention to the 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 to consumers. This suggests an opportunity to target younger shoppers with specific positive health and nutritional messages. My research group in the Department of Animal Sciences at University of Florida is addressing many of these issues and working to develop genomic tools to be used for selection, management and marketing. The overall goal is to improve the economic position of the beef industry, improve demand for beef, increase profits and will lead to more satisfied consumers.

Making our voices heard.

Farmers make up only 2% of the population and struggle to make their voices heard. The majority of consumers are receiving information about agriculture from the media, and much of their misperceptions come from people with a lack of understanding about the industry passing along information that is not accurate. Social media has the power to entertain, socialize, inform, and educate users, and it is important for the beef industry to create and maintain an online presence. Having a platform that allows industry communicators to interact and engage with consumers creates a trust between consumers and producers and allows the industry to respond quickly to consumer concerns.

Our beef farmers and ranchers are all about being caretakers to the animals, the land and water, being a good neighbor and community member, and maintaining profitability while doing it. As our new FCA President Mr. Alex Johns would say, "we have a great story to tell, and we have to keep telling it."