

Northeast Beef Promotion Initiative – Beef Demand Update

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Beef demand is critical to understand and monitor as it directly influences overall beef industry prosperity. When beef demand strengthens, beef and cattle prices for the entire industry are higher than they otherwise would be. This highlights the clear economic value in accurately measuring beef demand. One way to synthesize beef demand is through construction of an index that measures and tracks changes in demand over time. A beef checkoff funded study recently examined feasibility of developing new food service and grocery-store beef demand indices.¹

Among a broader set of recommendations, this study recommended the industry begin to retain region-specific beef demand indices. To appreciate the merit in this recommendation it is useful to highlight some project findings specific to the Northeast region. Previously nearly all beef demand understanding was drawn at the aggregate, national level masking important finer details.

This study found beef demand peaked later, in June of 2016, in the Northeast than the rest of the country. While the exact causes of this are not identified, this more persistent beef demand strength in the Northeast has supported retail beef prices and product movement for a longer period than in other regions of the country.

Beef demand in the Northeast was found to be strongest in June and July and weakest in November. This differs from the South and Midwest regions where seasonality of beef demand is much less pronounced. The heavier seasonal pattern in the Northeast likely reflects weather based effects on consumer demand for beef in summer grilling.

Another key finding was demand for beef by Northeast and West consumers is not significantly impacted by pork prices. Conversely, competing protein effects are more significant in the South and Midwest.

Combined these region-specific findings have several direct implications for retailers operating in the broader Northeast region. The more precisely identified

¹ The full project report and related demand concept details are available online at: www.mybeefcheckoff.com/Demand.

seasonal pattern can be used to refine grilling-based promotion and featuring strategies. Similarly, the mitigated impact of competing meat prices is useful for retailers to note as perhaps Northeast retailers should be less concerned about cross-protein effects than other regions of the country.

As beef demand changes over time, insights from regularly updated demand indices provide the entire industry a barometer of demand strength. Beyond the previously noted implications for Northeast retailers, operators throughout the nation's retail sector can use this information to benchmark their own situation with the broader beef demand position. If demand is improving in a retailer's region but not their operation that is critical information that may lead to a more timely recognition of challenges that need to be addressed. Conversely, if a retailer's operation is experiencing strong beef demand than their broader region parallel valuable lessons for future use can be ascertained by a focused assessment of "winning strategies."

Ultimately a deeper understanding of any situation requires ongoing effort and appreciation for details that previously may have been ignored. Beef demand is no different. Previously available insights regarding beef demand were constrained to summarize the situation in a very aggregated, national manner. Going forward, refined insights specific to geographic regions or product type may be used to refine understanding of current beef demand. This improved understanding in turn may assist all industry stakeholders including retailers who serve as the industry's essential, interactive face with consumers.